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Ross, Russell

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SOCIAL POLICY IN AUSTRALIA: WHAT FUTURE FOR THE WELFARE STATE?

Proceedings of National Social Policy Conference
Sydney, 5-7 July 1989

Volume 4: Concurrent Sessions

Social Policies in Australia and New Zealand

edited by

Russell Ross



Social Policy Research Centre

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FOREWORD

This report is one of six published by the Social Policy Research Centre and based on papers presented to the National Social Policy Conference held at the University of New South Wales on 5-7 July 1989. The overall theme of the Conference was **Social Policy in Australia: What Future for the Welfare State?** The six reports are published in the Social Policy Research Centre **Reports and Proceedings** series with the following numbers and titles:

No. 79 **Volume 1: Plenary Sessions**, edited by Peter Saunders and Adam Jamrozik.

No. 80 **Volume 2: Concurrent Sessions. Contributions from the Social Policy Research Centre**, edited by Peter Saunders.

No. 81 **Volume 3: Concurrent Sessions. The Ideology, Philosophy and Political Environment of Social Policy**, edited by Adam Jamrozik.

No. 82 **Volume 4: Concurrent Sessions. Social Policies in Australia and New Zealand**, edited by Russell Ross.

No. 83 **Volume 5: Concurrent Sessions. Income Maintenance and Income Security**, edited by Peter Whiteford.

No. 84 **Volume 6: Concurrent Sessions. Community Services: Policy and Practice**, edited by Sara Graham.

The eighties has been a decade of rapid and fundamental reform of economic and social structures in both Australia and New Zealand. The papers in this report detail some of the social policy issues associated with those changes, and examine some of their underlying assumptions and consequences. Among the topics discussed in this report are the role of markets in general (and the labour market in particular), public attitudes to welfare provision, social justice, and a number of aspects of income support provision and reform. The Social Policy Research Centre has actively pursued ways of achieving and maintaining closer links between social researchers on either side of the Tasman. The papers in this report are indicative of what can be gained from the greater understanding of the social policy issues and context that results from such efforts.

The Conference on which this report is based was designed to bring together a range of individuals, researchers and practitioners working throughout Australia on contemporary social policy issues, and to provide a national forum for the exchange of ideas, information, analysis and results. The Conference was always seen by the Centre as a way of raising the profile of debates on social policy research and analysis, rather than as a platform for the expression of definitive conclusions or particular points of view. If the social policy debate in Australia is to be taken as seriously as the economic policy debate is currently, there is not only a need for more research, but also for more critical debate and assessment of the issues raised by that research.

It was extremely encouraging to see from the total number of contributed papers presented at the Conference, as well as from the many stimulating discussions generated during the Conference, that social policy research in Australia is already attracting a good deal of attention from individuals from a broad range of disciplinary perspectives. In publishing the papers in this and the other reports from the Conference, the Social Policy Research Centre aims to make available to a wide audience a body of work on social policy that reflects the state of the discipline in Australia at the end of the 1980s. The Centre itself does not assume responsibility for the views expressed in the papers in this and its companion reports. It does, however, hold firmly to the view that a healthy research environment is crucially dependent upon publication and critical review of research papers and results.

The Centre is already planning a second National Social Policy Conference to take place in July 1991. These plans, along with the release of this report, are part of a broader strategy designed to enhance the nature of the Australian social policy debate, thereby creating a more conducive climate for the development of social policies that address our social problems.

Peter Saunders
Director

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WOMEN AND EMPLOYMENT POLICY: EQUITY OR 'EFFICIENCY'?

Celia Briar
Department of Social Policy and Social Work
Massey University

1. INTRODUCTION

Employment Equity¹ measures which have been introduced (or are about to be) in Australia, New Zealand and the United Kingdom during the 1980s may give rise to cautious optimism about the possibility of challenging the current dominance of the libertarian Right in social economic policy.

At the same time, however, it is necessary to realistically assess the extent of opposition to 'equity' legislation, both direct and indirect: this necessitates taking a broad view of labour market policies.

2. BACKGROUND

The revival of classical liberal 'free market' economic ideology has created a particularly hostile environment to the development of Employment Equity measures during the 1980s throughout the English-speaking world. Although often crudely expressed, these views have come to dominate the social and economic policies, including labour market policies, of not only the United Kingdom conservative Government under Thatcher, but also the Labor Governments of Australia and New Zealand. I will set the scene with a brief examination of the 'new right' views which have been expressed recently; first in relation to equal employment opportunities and then with regard to equal pay.

Ostensibly, at least, advocates of a 'free-market' approach are not opposed to equal employment opportunities for women. The New Zealand Employers' Federation example claims that it

... whole-heartedly supports the principle of equal opportunity in employment, education and training. It regards the elimination of discrimination and the provision of equal opportunities as an essential step forward in social progress. (New Zealand Employers' Federation, 1985, p. 5)

However, they are opposed to legislation and believe that Equal Employment Opportunity programs should be voluntary (Working Group on Equal Pay and Equal Opportunities, 1988, p. 21). In fact, experience in the United States, Australia and New Zealand has been that without adequate legislation (including penalties for non-compliance) employers have no genuine commitment to equal employment opportunities² and focus on the removal of formal barriers, which has been shown to be ineffective as a means of improving women's opportunities (Radford, 1985). Since the 'backlash' against the United States' Affirmative Action programs, employers in New Zealand and Australia have made it clear that they are opposed to the notion of 'quotas or numerical goals' which was believed to have undermined the 'merit' principle³ (New Zealand Employers' Federation, 1985, p. 5). They prefer to overlook the

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1. Employment Equity is a shorthand term which is used to describe the combination of equal employment opportunities and equal pay for work of equal value. First used in Manitoba, Canada, the term was adopted and brought into widespread use in New Zealand in 1988 by the Working Group on Equal Pay and Equal Employment Opportunities, which was convened by Margaret Wilson, a former president of the New Zealand Labour Party and until recently head of the Department of Prime Minister.
 2. Human Rights Commission (NZ) (1988), wrote that after 10 years of persuasion they believed that it was fruitless to continue to look for voluntary compliance, since they found genuine commitment 'almost totally lacking'.

systematic discrimination which takes place: for example, the practice of treating the entire 'career' work force as though they had a wife, and the use of discriminatory employment filters such as discounting informally acquired skills and experience gained in unpaid work (Wallace, 1985; Sawyer, 1985).

Advocates of the 'free market' approach argue that the correct way to promote equal employment opportunities for women is to reduce, rather than increase, state intervention on the grounds that the labour market is gender-neutral.

According to the New Zealand Treasury:

... market forces make it extremely difficult to maintain discrimination. This is because market forces ensure that the discriminator pays for their discrimination. (New Zealand Treasury, 1989, p. 3)

This view ignores social factors in discrimination such as recruitment and promotion 'in one's own image' (Wallace, 1985, p.20). Moreover, employers appear, so far, to be content to pay the costs of discrimination.

Instead of legislation, a 'free bargaining' approach is favoured. The UK Secretary of State for Employment recently argued that:

... in general, terms and conditions of employment are matters best left for employers and employees or their representatives to determine. (Hansard, 1988)

The New Zealand Treasury appears to assume that Rational Economic Woman is in a position to maximise her satisfaction in a free market situation:

... women tend to choose different career paths because of their greater likely exposure to child rearing responsibilities and the difficulties of reconciling this with some working arrangements.

such jobs usually involve 'flatter' career paths and wages structures.

Women choosing to give priority to child-rearing or their spouse's career may be attempting to maximise their position. They should accordingly face the costs of their decision provided that those costs have not been distorted by discriminatory action in the labour market. (New Zealand Treasury, 1989, pp. 6-7)

Finally the view has been expressed both by the New Zealand Treasury and in some United Kingdom tribunals under the Sex Discrimination Act that the prioritisation of their (mainly male) 'career' workforces above their (female) casual or part-time staff may be just a question of 'efficiency' rather than discrimination⁴, and therefore permissible (New Zealand Treasury, 1989, p. 10).

Where pay equity (equal pay for work of equal value, or comparable worth) is concerned there is no pretence of support from the free marketeers. Opposition from employers and treasury officials to awarding equal pay to women has a long history, but has been particularly strong in the 1980s.

One argument advanced by the New Zealand Treasury (1989, p. 5) is that in the private sector at least, the value of products can be determined by the market and that:

3. In fact, the US Affirmative Action legislation only used 'quotas' in instances where employers had been shown to be guilty of unlawful discrimination to allow redress for past wrongs.

4. This means that sacking part-timers first, for example, is then not regarded as a form of sex discrimination.

... a job evaluation wage bears no tangible linkage to the market wage: there are different markets for different occupations, and wages vary accordingly. (New Zealand Treasury, 1989, p. 13)

In practice wage differentials reflect a history of wage bargaining in which men have had stronger trade union representation and support; and social values which assume that men's job require more effort, skill and responsibility than women's; and responsibility for machines is more highly rated than responsibility for people (Burton et al., 1987).

New Zealand and United Kingdom monetarists assume that to have pay equity (with gender-neutral job evaluations) would distort the economy. It is argued that the costs of paying women more would have adverse effects on domestic and international markets (New Zealand Federation of Employers, 1989).⁵ In addition, it is claimed that paying higher wages to women simply leads to higher unemployment and fewer job opportunities for women, as well as fuelling inflation, and that 'middle class' women would benefit at the expense of working class women (UK Hansard, 1988, cols 160-161; New Zealand Treasury, 1989, p. 14; New Zealand Employers Federation, 1989). There is a lack of rigorous evidence to support these assertions, however.

In short, employment equity runs directly counter to free market notions of 'efficiency' which are a dominant strand in economic policies in the 1980s (Hyman, 1986). It proposes additional controls and state 'intervention' in the labour market at a time when governments in the English-speaking world are attempting to reduce direct involvement and 'free up' the labour market through the expansion of temporary and flexible part-time employment (New Zealand Treasury, 1989).

3. EMPLOYMENT EQUITY: PROGRESS IN THE 1980s

The currently dominant free market tradition in labour market policy is not directly opposed in principle to either equal opportunities or equal pay for women: it simply opposes any effective measures which would bring these about. In this Section the elements of effective employment equity measures and the extent to which these have been (or are being) increased during the 1980s in the three countries are discussed. The four elements which are included, and which need to be used together for maximum effectiveness are; equal employment opportunities, pay equity, centralised wage fixing or bargaining; and adequate enforcement.

Equal employment opportunity is more than anti-discrimination; although the latter is also of benefit to women. Equal employment opportunity is different in that it is **proactive** and **results oriented**: the employer (public or private) is required to develop an equal employment opportunity package, with targets clearly stated. There should also be scope for affirmative action, at least on a temporary basis, to redress the effects of past discrimination.⁶ In addition, equal employment opportunities and anti-discrimination measures should override other legislation (i.e. there should be no exceptions on 'efficiency' grounds).

Pay equity similarly is more than equal pay for equal or similar work. It aims to analyse and compare dissimilar work and assess its value, to allow women to make claims for equal pay for work of equal value and so overcome the pay effects of occupational segregation.

Centralised wage fixing or bargaining is a necessary accompaniment to pay equity because claims can be dealt with more quickly and effectively in this way. By contrast, decentralised wage bargaining increases wage differentials between high and low paid workers, which also effectively means between women and men, thus undermining the effectiveness of pay equity measures.

5. This is despite estimates by the New Zealand Working Group on Employment Equity that pay equity, when fully implemented would add only 0.79 per cent - 2.24 per cent to the wages bill.

6. This is in line with the 1975 International Labour Organisation declaration that positive action for a transitional period which arrived at effective equality between the sexes would not be regarded as discriminatory.

Finally, it is essential that there be provision for adequate enforcement of the employment equity measures. There should be penalties, in the form of fines and/or withdrawal of government contracts and services for non-compliance, and a properly funded bureau to enforce, monitor and educate the public about employment equity.

During the 1980s there has been some progress in the three countries in the area of employment equity, although it has been patchy. The only integrated employment equity package is that which has been accepted in principle by the New Zealand Labour Government and will almost certainly become law towards the end of 1989, although its precise form is still uncertain.

In addition, the Equal Opportunities Commission in the United Kingdom is pressing for the Equal Pay Act (1970, amended in 1984) and the Sex Discrimination Act (1975, amended 1986) to be made into a single piece of legislation. All of these elements, singly, but more particularly in combination, run counter to the principles and ideology of 'free market' economics.

During the 1980s Australia has seen the introduction of a series of equal employment opportunity measures which embody results-oriented affirmative action programs. Local states, notably New South Wales, introduced Affirmative Action as early as 1980;⁷ the 1984 Public Service Reform Act introduced compulsory equal employment opportunities, including the notion of redress for past discrimination, and into the public sector, and coverage was extended to the private sector in 1986 under the Affirmative Action (equal employment opportunities for women) Act. In addition, the Australian Labor Party has had its own ongoing 10 year affirmative action program. It is planned that the equal employment opportunities section of the forthcoming New Zealand Employment Equity Legislation will closely follow the example of the 1986 Australian legislation (Working Group on Equal Pay and Equal Opportunities, 1988, p. 21). In the United Kingdom, by contrast, the Sex Discrimination Legislation, even as amended in 1986, lacks a proactive results-oriented approach. There has been only some limited adoption of the notion of positive action for women following pressure from the European Economic Community (Equal Opportunities Commission, 1988).

4. PROGRESS AND PITFALLS

Clearly some limited progress is being made towards employment equity, despite the challenges which this poses to the principles governing labour market policies in the three countries during the 1980s. The progress is not even: the Australian measures and those currently proposed for New Zealand appear to be more effective than the United Kingdom legislation (despite amendments in the 1980s). This appears to be one area where political party ideology, and sources of support, may make the crucial difference. In Australian and New Zealand the Labor Parties are aware that to sacrifice employment equity would mean a loss of support from women and trade unionists.⁸ By contrast, the United Kingdom Thatcher Government's supporters have been less concerned with social justice issues.

However, there is a danger that cosmetic reforms may conceal a lack of genuine commitment to equity employment. This has been transparently the case in the United Kingdom where the legislation itself appears designed for maximum ineffectiveness; although covert opposition to genuine equity employment can take many forms including:

- Long delays in introducing legislation making employment equity a low priority. In Britain the Trade Union Congress first demanded equal pay for women in 1888; and the first New Zealand Government report dealing with equal pay is dated 1897.
- Inadequate enforcement of employment equity.
- Introducing inadequate legislation.

7. See Eisenstein (1985).

8. The Australian Labor Party significantly increased its share of women's votes following its adoption of Affirmative Action. In New Zealand, women made it clear that the adoption (or not) of Employment Equity would be an election issue.

- Putting the main emphasis on equal employment opportunities instead of pay equity. Equal employment opportunities alone, as the United States experience shows, does not lead to any significant reduction in the wages gap.⁹
- Defining the problem of women's low pay too narrowly, thus giving the impression that women are adequately catered for by limited legislation.¹⁰
- Removing state benefits such as adequate pensions from women on the assumption that their employment position is significantly improved by employment equity.¹¹

It is also important to be aware of other social and economic policies which are likely to undermine equity and employment measures. Economic policies which have led to a massive rise in unemployment have reduced employment opportunities. Cuts in public spending on health services have increased the burden of unpaid caring performed by women in 'the community'. In all three countries, the provision of quality child care by the state is too small to meet the demand from working mothers (although in New Zealand, state funding for pre-school education is to be increased). The promotion of 'flexible' part-time work for women is inconsistent with equity employment because it not only generally provides women with lower pay and fewer opportunities for promotion, but also reinforces women's responsibility for unwaged domestic labour and caring.

Finally, the difficulties posed by the existence of other legislation designed to 'free up' the labour market¹², including the dismantling of employment protection legislation particularly in the United Kingdom should not be underestimated. For policy makers there are huge problems in reconciling employment equity with such measures, which in New Zealand have been dealt with recently by proposals to have a separate set of machinery for dealing with employment equity, in order to attempt to keep 'social justice' and labour market policies separate.

Whilst this may work as a temporary expedient, in the longer term the issues and conflicts have to be faced. For most women the adoption of comparable worth and affirmative action principles is crucial: the alternative is a continuing pattern of a lifetime of semi-dependence and downward occupational mobility (Dex, 1986).

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9. In the United States, where there was strong Equal Employment Opportunity legislation (which had a noticeable effect in bringing women into 'male-dominated occupational groups and hierarchies'), but where the equal pay legislation was weak the 'wages gap' failed to close at all between 1963 and the 1980s.
 10. The problem is defined in terms of the difference between women's and men's hourly ordinary time earnings. In Australia, women earn an average of just over 82 per cent of men's pay each hour; in New Zealand 80 per cent and in the United Kingdom 75 per cent. However, if we look at weekly pay, the gap becomes around one third, even comparing only full-time waged workers. If we take into account the fact that women increasingly work part-time, or look at women's earnings over a lifetime, the gap becomes progressively wider.
 11. At present in New Zealand the Minister of Social Welfare is attempting to justify proposed cuts in state pension funding (which will predominantly affect women) on the grounds that women's stronger position in the labour market, following employment equity legislation, will largely remove inequality in old age.
 12. For example, the New Zealand Labour Relations Act, 1988.

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CHILD SUPPORT SCHEME: RHETORIC AND REALITY (THE GAP BETWEEN THEORY AND PRACTICE)

Marion Brown
Women's Legal Resources Centre

Alex Heron
Women's Co-ordination Unit
NSW Department of Family and Community Services

Marilyn McHugh
Social Policy Research Centre

Linnel Secomb
Women's Co-ordination Unit
NSW Department of Family and Community Services

1. INTRODUCTION

Major claims have been made for the likely value of the new child support scheme. These have ranged from statements that the scheme will ensure financial responsibility of non-custodial parents - mostly fathers - to their children to the belief that the scheme will contribute in a major way to the fight against child poverty in Australia. On the way, it will happily shift some of the burden of the fight from the public to the private purse. In April 1988, in a paper presented to Monash University's Continuing Education Seminar programme on the scheme, Tom Brennan, a ministerial consultant to the Minister for Social Security, claimed:

The child support scheme is one of the most significant social policy reforms of the Federal Government. It will ensure financial security for the majority of children of separated parents, and substantially restrict the levels of Federal expenditure on Social Security. It is consistent with the broad range of reforms of the Social Security system currently being undertaken by this Government; reducing the numbers of people dependent on public support while increasing the adequacy of income support for those who do depend on the social security system. (Brennan, 1988, 1)

It is significant that he went on to say;

The child maintenance reforms are aimed at reducing the numbers of children in poverty and ensuring that parents who have the capacity to pay do not abandon the financial responsibility of supporting their children to the Social Security system. This will mean that custodial parents can count on adequate, timely and regular maintenance payments. (Brennan, 1988, 2)

The scheme must, according to the claims made for it by its proponents, be assessed on a number of grounds. First, does the Scheme achieve its principal aim of ensuring that the majority of non-custodial parents contribute appropriately to the financial upkeep of their children? Second, will the Scheme significantly reduce the number of children in poverty? Third, within the objectives outlined in the Child Support Consultative Group Report (1988) has the Scheme been devised in a clear simple and understandable way especially in terms of the interrelationship between the Child Support Agency within the Taxation Department, Social Security and Family Law?

2. SITUATION OF SOLE PARENT FAMILIES

It has been estimated that 800,000 children, or approximately 20 per cent of all children, in Australia in all types of families were living in poverty in 1986 (King, 1986). Research by Smeeding and Torrey (1988) on poverty rates of families with children in six industrial countries (Australia, Canada, Sweden, United States, United Kingdom and West Germany) for the period 1981-1982 found that sole parent families had poverty rates that were much higher than those in other families. Australia had the highest rate of poverty among children in sole parent families with a poverty rate of 65 per cent.

Two significant changes may have affected the numbers of Australian families in poverty in the later 1980s. Lower unemployment rates (6.9% in May 1989 was the lowest monthly unemployment rate since September 1982) and the introduction of the Family Assistance Package by the government in 1987 would have relieved to some extent the poverty of some poor families. Farrar (1988) in examining two major studies by Saunders and Whiteford (1988) and Brownlee and King (1988) on the effect of the Package on poverty concluded that both studies estimated that the Package had gone a little less than half way (41%-42%) in meeting the government's goal of reducing the number of children in poverty. More significantly both studies indicated that sole parent families are one of a group of four family types most likely to remain in poverty despite additional income support from the Family Package.

In Australia in 1988 there were approximately 343,000 sole parent families with almost 540,000 dependent children representing 15.0 per cent of all families with dependent children. Approximately 226,200 or 78 per cent of these families with 424,600 children were in receipt of Commonwealth Income Support (ABS, 1989). In 1988, 88 per cent of sole parent families had a female head, thus the overall problem of child poverty, particularly the poverty of children in sole parent families is inseparable from women's poverty in society at large. While the effectiveness of the Scheme in reducing child poverty is important this issue should not be considered in isolation from an evaluation of the effects of government policy towards sole parents generally. Failure to improve the income or income earning opportunities of such families will inevitably have an immediate and direct impact on the living standards of the children within them.

The first section of this paper will briefly outline the structure of the Child Support Scheme. In Section Two descriptions of the provisions of the Scheme relating to property orders, spouse maintenance, income testing and maintenance levels will be linked with our concerns as to the likely effects of the Scheme as it is implemented. In this way the complexities inherent in the inter-relationship of the social security system, Family Law and the Child Support Agency will become more easily understood.

3. SECTION 1

The Child Support Scheme - Stages One and Two

The Scheme is to be implemented in two stages, the first of which was fully in force from the 1st June 1988. Stage One involved the collection of maintenance orders which had been made through the court system by a new branch of the Tax Office, the Child Support Agency. Stage Two, implemented in October 1989, involves the creation of an administrative formula for setting child maintenance levels.

Three pieces of Federal Legislation implementing the Scheme were brought into force between 1 April and 1 June 1988. Changes were made to the Family Law Act in order to strengthen the liability placed on the non-custodial parent to maintain children. The Child Support Act 1988 established the mechanism within the Tax Office for enforcing Maintenance Orders made against the non-custodial parent. Changes to the Social Security Act ensured that the primary responsibility for supporting children was placed on the parents, by ensuring that the social security system is able to claw back a substantial amount of the maintenance income paid to social security recipients.

Using the Child Support Agency (CSA) to Enforce a Maintenance Order

Those who are on a Social Security Pension or Benefit and who obtain a Maintenance Order after 1st June 1988, **must** use the Agency to enforce it. More generally other social security beneficiaries may use it as well as those not on a pension or benefit who separate after the 1st of June 1988, or whose child is born after that date. From 15 April 1989 anyone who is entitled to be paid child or spouse maintenance under a court order or agreement can have their maintenance collected through the CSA.

The Functions of the Child Support Agency

When a Court Order for maintenance is registered with the Child Support Agency, the Agency contacts the non-custodial parent to advise them of their liability and provides them with a book of coupons that are to be forwarded with maintenance payments. If voluntary payments are not made, the Agency will contact the employer of the non-custodial parent and advise them of the amount of maintenance that is to be deducted from the non-custodial parent's wage each pay period and forwarded to the Tax Office once a month. A payer who is self employed has to pay direct to the Child Support Agency. Where a custodial parent does not receive a pension or benefit, the money collected by the Agency is paid directly to the parent.

The Department of Social Security receives the maintenance payments from the Agency for those on pension or benefit. They pass this maintenance on to the pensioner or beneficiary, after making any necessary adjustments to the Social Security payment.

This is usually done monthly, and if the maintenance is not paid, the pension is adjusted, up to the maximum a pensioner or beneficiary would be entitled to under the Social Security Scheme in the absence of any maintenance at all.

It should be noted that the scheme **does not** guarantee payment. Only payments received from the payer can be passed onto the payees. At present there is no provision in the Scheme for a guaranteed maintenance payment for all children in sole parent families (see ACOSS, Paper No. 2, 1986 and Paper No. 14, 1988a for details on a proposed maintenance guarantee).

The Legal Obligation to Apply for Maintenance

Sole parents applying for a means tested pension or benefit will now have a legal obligation to take reasonable action to obtain a maintenance order. If a person in receipt of a sole parent pension does not take such reasonable action and is not exempted under the Department of Social Security Administrative Guideline's (see below) from doing so, entitlement to a sole parent pension will be withdrawn and the parent will have to rely on unemployment or special benefit. Legally, it appears that the Department of Social Security could apply this obligation to all recipients of relevant pensions or benefits, but their administrative guideline's indicate that only those coming onto supporting parents benefit or widows pension from the 1st June 1988 and those who have existing but unenforced Maintenance Orders made after 1st June 1985, will be obliged to seek orders or have old ones enforced by the Agency.

There is no definition in the relevant 1988 Social Security Amendment Act as to what constitutes a situation where it is not reasonable to ask a parent to seek maintenance from the other parent. The Department of Social Security's Administrative Guidelines outline the circumstances which the Department considers would constitute reasonable grounds for not seeking maintenance, and these will no doubt be tested in the Social Security Appeals Tribunal. Examples of such grounds are:

- a) That the custodial parent fears violence or is concerned for her/his safety or health or that of the children if maintenance is sought.
- b) That action may be the cause of disruption to the domestic affairs of either parent (including situations where the child is born as a result of rape or incest, or where paternity may not be acknowledged).

- c) The whereabouts of the child's other parent are not known to the claimant (unless there is an existing order).

The Effect of Periodic Maintenance Payments on the Level of Pension/Benefit

As from June, 1988 two separate income tests apply to sole parent pensioners. The first, a 'new' maintenance income test, is for maintenance income only and comprises a free area of \$15 maintenance a week for the parent and first child plus \$5 a week for each other child. The other test is the 'old' general income test applying to other non-pension income (e.g. earned) and comprises a free area of \$40 per week for a single pensioner plus \$12 for every child. Over these amounts, for both tests, every dollar of income normally reduces the pension by 50¢. Prior to June 1988, when the new maintenance income test was introduced, the free area for maintenance income per week, contained within the old income test, was \$42 for self and first child; and \$6 for every extra child (ACOSS, 1988b).

4. SECTION 2

The Effect of Lump Sum or Transfer of Property Orders on the Level of Pension/Benefit

When the Family Court orders a lump sum payment or transfer of property between former parties to a marriage, it will now have to say **how much** of it is for maintenance of the child and/or ex-partner, and how much is a genuine property adjustment between the parties, based on their respective contributions to the marriage. It is estimated that only 5 per cent (approximately) of all divorcing couples have their property agreements judicially finalised (McDonald, 1986). Usually couples and/or their legal representatives have to work out what proportion of a property settlement represents

- a) The wife's share in relation to her contributions to the marriage plus her prospective needs because of child care responsibilities and likely level of work force participation.
- b) The husband's share by contribution to the marriage and his future needs.
- c) The custodial parent's share for the children's need for physical space and shelter.

It is also possible for parties to 'capitalise' any continuing maintenance liabilities, for example, for spouse or child maintenance, by providing a lump sum for this purpose in the property settlement and thereby avoid or limit any future maintenance liability.

There are no legislative guideline's as to the proper level of support for any of the parties. This is a result of the judicial discretion allowed to Family Court Judges where all factors must be considered and the Court makes a decision on the basis of the applicant's need and the respondent's capacity to pay. There is no certainty of the probable outcome of litigated cases.

Evidence on private negotiations show that most couples and their legal representatives bargain or negotiate often in a conflictual context in the shadow of the law. Research on out-of-court settlements suggest that negotiations work on two levels:

The parties are working towards a final settlement but at the same time they are also negotiating their day-to-day survival.

If one of the parties has income from employment then that party will have less need for a settlement than a party who depends on the settlement itself for economic security. The need for settlement puts pressure on the economically weaker party (usually the woman) to settle. Economically weaker parties are not well placed to withstand the emotional and financial transaction costs in applying to the courts. (Ingleby, 1987)

The provision of maintenance and property agreements enables the Maintenance Income Test mentioned above to be applied. The Court must specify the amount of any lump sum payment or property transfer over \$1500 that is made to provide spouse or child maintenance. The value of this component of maintenance will be averaged out at a weekly rate for a period specified by the Court, or where there is no specification until the youngest child turns 18 for child maintenance or the spouse turns 65 for spouse maintenance. A failure to identify the maintenance component of such a transfer will lead to a presumption that no element of spouse or child maintenance is included in the lump sum payment or property transfer under Sections 66L or 77A of the Act.

Maintenance may also include non-cash or in-kind maintenance or payments to other people for the benefit of the custodial parent (for example, purchase of food, rent payment, health insurance, household bills, school fees).

In-kind maintenance or capitalised maintenance can affect the amount of the pension received but it cannot reduce it by more than 25 per cent of the maximum rate of pension in three particular circumstances. The first is where the custodial parent receives in-kind or capitalised maintenance which is used to provide accommodation. The second is where in-kind or capitalised maintenance is received by the custodial parent in the first six months after separation. The third is where in kind maintenance (or a cash payment) is for a disabled child.

It is important to note that most of these savings provisions only apply to in-kind maintenance, any cash maintenance except for the disabled child category can reduce entitlement by more than 25 per cent.

It is possible that the capitalisation of maintenance could become a key component in a property settlement to relieve the burden on the non-custodial parent to the long term economic disadvantage of the custodial parent. This may arise due to the legislative changes implementing the Scheme. Amendments to the Family Law Act 1975 require the identification and quantification of child and/or spouse maintenance in the form of a lump sum or property when contained in settlement of orders - Section 77A. The Family Law Council (1989) suggests that the main aim of Section 77A is to identify maintenance so that income testing for social security purposes is facilitated. The Council in a survey conducted in 1988 indicated that orders under Section 77A are being made frequently. In the bargaining process they found

... wives are agreeing to almost any s. 77A formula in return for marginal increases in lump sum payments or proportions of property in orders under s.79. (Family Law Council, 1989, 28)

The Council argues that

Solicitors acting on behalf of payee spouses should be reluctant to readily classify any property, cash or benefit as a substantial child maintenance or spousal maintenance payment under s. 66(l) or s. 77A. No doubt the payer's solicitors may bargain for a high specified maintenance component. However, a low maintenance component has the benefit to the payee of:

- * *preserving the payee's pension entitlement over many years (this may be vital in years to come).*
- * *preserving the payee's right to apply for spousal maintenance. (Family Law Council, 1989, 28)*

Where property in the form of the former matrimonial home is a substantial component under Section 77A, 75 per cent of the custodial parent's pension rights are preserved. However the housing implications of the government's decision to income test certain forms of capitalised maintenance may well force many women to sell their homes and become dependent on either scarce stocks of public housing or highly priced private rental properties. The proportion of sole parent pensioners owning their own homes before these recent 'reforms' was exceedingly low with only 17 per cent of supporting mothers and 39 per cent of class A widows purchasing in 1986 (Raymond, 1987). For those attempting to pay off an existing mortgage the situation could well be impossible on a reduced pension (Graycar, 1989). The government in its attempt to reduce social security expenditure by income testing capitalised maintenance agreements appears to completely ignore the evidence of the study of the economic consequences of divorce undertaken by McDonald (1986). This study acknowledged the importance of courts settling over half the 'basic marital assets' to

the custodial parent so as to enable the parent to meet the housing needs of the children, regardless of whether the custodial parent had ever received or was entitled to a sole parent pension.

As property transfers now contain an income tested maintenance component some sole parent pensioners may end up asset rich but income poor. Sole parent pensioners who retain the family home but who are affected by the income tested maintenance component of a property transfer will now have the dubious distinction of being the only category of pensioners and beneficiaries in the social security system where some value of their family home is liable for income testing - all other categories are exempt. In the case of sole parent pensioners, one of the most highly disadvantaged group in Australian society, it appears grossly unfair to penalise some of these beneficiaries in this way. All pensioners and beneficiaries within the social security system who are home owners have always had a distinct advantage over those who are forced because of the unavailability of public housing to rent on the private market. To compensate private renters rent rebates are allowed.

Spouse Maintenance

Although the Child Support Scheme as its name signifies is to ensure parents financial responsibility to their children, the scheme appears to incorporate provisions that could renew increasing reliance on spouse maintenance awards.

Under the 1988 changes to the Family Law Act social security is now a last resort of financial support for the custodial parent with the non-custodial parent providing child support and possibly spouse maintenance. The provisions under Section 75(3) require courts to disregard any entitlement to a pension when determining maintenance awards. Changes to the Social Security Act have restated the compulsory child and spousal maintenance requirements for sole parent pensioners. In theory and in practice failure to comply with these requirements could result in loss of pension.

Recent amendments to the Family Law Act have effectively made it very difficult for any except the very wealthy to finalise their property settlements by way of a Deed under Section 87.

New s.87 (4A) of the Family Law Act 1975 means that many court approved financial settlements are no longer conclusive in relation to spouse maintenance. This opens a formerly closed jurisdictional door to spouse maintenance claims. (Family Law Council, 1989)

Until the recent legislative changes the Family Law Act of 1975 embodied the philosophy of the 'clean break' (Section 81) with the parties' financial matters in most cases being finalised once and for all, except for the obligation of both parents to contribute to the support of their children. Since 1975 spouse maintenance has been in fact rarely paid or payable (McDonald, 1986). With the implementation of the Scheme there well may be a growing resurgence in spouse maintenance claims in this current climate of 'user pays' principles applied to family support. This presents complex issues and some difficult philosophical questions such as:

What value do we assign to the unpaid labour women provide as housekeepers, child carer, home makers, etc?

Is the recognition of forfeited earning opportunities by way of maintenance a means to establish equity between ex-spouses or a chain that yet again reinforces women's economic dependency on men?

Should women, who have accepted a socially promoted role of economic dependence be further penalised for doing what we asked of them?

In Australia as in other common law countries spousal maintenance has always been a contentious issue. The recent legislative amendments mentioned previously have prompted the Family Law Council to circulate a Discussion Paper reviewing the principles upon which spousal maintenance is determined and canvassing options for reform (see Family Law Council, 1989, Spousal Maintenance Discussion Paper).

Spouse maintenance, whether paid by capitalised sum or continuing stipend, will as we have indicated also attract the 'new' maintenance income test. Where spouse and/or child maintenance is awarded as a continuing stipend they will

be combined as one amount for the purposes of income testing i.e. a free area of \$15 for the parent and one child and \$5 for each other child.

Maintenance Levels

Data from the Department of Social Security will be used here to illustrate the position of all sole parent pensioners with maintenance orders at the time the scheme was implemented in June 1988 and 12 months later in June 1989. In March 1989 **sole parent pension** replaced two social security payments available to sole parents with dependent children, the supporting parent benefit and the class A widows pension.

The June 1988 figures on maintenance income declared by sole parent pensioners indicated that remarkably few receive maintenance, and where maintenance is received it is generally at extremely low levels.

Of all 238,656 sole parent pensioners in June 1988, 63,924, i.e., approximately 27 per cent, were receiving maintenance. The maintenance levels were as follows:

- 19,798 (31%) received up to \$20 per week
- 24,999 (39%) received between \$20 and \$40 per week
- 13,205 (26%) received between \$40 and \$80 per week
- 2,803 (4%) received \$80 or more per week

Overall, nearly three quarters, 70 per cent were receiving up to \$40 per week (Department of Social Security, 1988).

Twelve months after the scheme was implemented, June 1989, of the 239,469 sole parent pensioners at that time, 81,015 or 34 per cent declared maintenance, compared to 27 per cent in June 1988. The maintenance levels were as follows:

- 12,707 (16%) received up to \$20 per week
- 33,045 (41%) received between \$20 and \$40 per week
- 27,685 (34%) received between \$40 and \$80 per week
- 7,578 (9%) received \$80 or more per week

These figures indicate that there have been increases in maintenance declared and in the levels of maintenance payments. However, over half, 57 per cent, of all sole parent pensioners are still receiving an extremely low level of maintenance of up to \$40 per week (Department of Social Security, 1989).

Table 1 shows the effect of the scheme on sole parent pensioners by the number of children and the amount of maintenance paid. Using the Department of Social Security's Four Weekly Child Support Evaluation Statistics for June 1989, two groups of sole parent pensioners can be compared, those who were granted a pension before 1 July 1988 and declared maintenance (pre-scheme) and similar sole parents granted a pension after 1 July 1988 (post-scheme).

It would appear from these figures that those sole parents with the least number of children (one or two) who represent over three quarters of sole parent pensioners, have received the smallest increases while those with three or more children have received larger increases in maintenance awards or agreements in the twelve months since the scheme was implemented. It needs to be emphasised that only those post-scheme pensioners who represent 30 per cent of all sole parent pensioners receiving maintenance at June 1989 are receiving the increased amounts; the other 70 per cent pre-scheme pensioners still receive the lower amounts (unless increases through private agreements or increases to previous maintenance awards by the court have been arranged). Both groups however are subject to the new maintenance income test. The effect of this test on these two groups will now be examined.

TABLE 1: SOLE PARENT PENSIONERS JUNE 1989; NUMBER OF DEPENDENT CHILDREN AND BY AVERAGE MAINTENANCE PAYMENT

Pre-Scheme Pensioners ¹		Post-Scheme Pensioners ²	
Number of Children			
	%		%
With one child	36	With one child	43
With two children	42	With two children	34
With three children	16	With three children	15
With four or more children	6	With four or more children	5
Average Maintenance Payments			
	\$		\$
With one child	26.68	With one child	30.73
With two children	41.99	With two children	57.89
With three children	51.22	With three children	63.07
With four or more children	54.15	With four or more children	65.47

Notes: 1) i.e. Pensioners granted Pension before 1 July 1988.
 2) i.e. Pensioners granted Pension after 1 July 1988.

Source: Department of Social Security (1989), **Four Weekly Child Support Evaluation Statistics**, Statistical Services and Analysis Section, Canberra.

5. INCOME TESTING

For those 70 per cent pre-scheme sole parent pensioners with maintenance payments, a savings provision applied if their payment would be less after the 'new' maintenance income test replaced the old general income test in July 1988. The savings provision (which is illustrated in the Appendix) is to ensure that no sole parent would be worse off under the scheme. However once the saved amount is used up the 'new' maintenance income test would apply. The main point is that those for whom the savings provision applied, have not effectively benefited from subsequent increases in basic pension rates, or increases in child payments or rent allowances or in any increase in maintenance paid until the saved amount is used up. By June 1989, according to the Department most have ceased to be 'saved' and will benefit from subsequent increases in the future.

Under the 'old' general income test for maintenance payments there was a free area of \$42 per week for self and first child and \$6 for every other child. Over this amount every dollar of payment reduces the pension by 50 cents. The 70 per cent pre-scheme sole parent pensioners received on average the following maintenance payments:

With one child	\$26.68
With two children	\$41.99
With three children	\$51.22
With four, or more children	\$54.15

Under the old test there would have been no reduction in pension payments for any in the above categories. Those who would have their pension reduced were those with payments above the free area. At June 1989, approximately 17 per cent with one child, 36 per cent with two children, 47 per cent with three children and 36 per cent with four or more children would have some reduction (Department of Social Security, 1989).

Once the new income test is applied to those average maintenance payments there are substantial reductions in payments received as the following examples in Table 2 indicate.

The figures indicate that for pre-scheme pensioners the effect of the 'new' test is particularly harsh on all categories but especially on those with the greatest number of children. Not surprisingly many more sole parent pensioners now face a reduction in their pension payment, approximately three quarters (73%) of sole parents with one child, 89 per cent with two children and over three quarters with either three children (76%) or four, plus children (77%).

For the 30 per cent post-scheme sole parent pensioners, the effect of the 'new' maintenance income test on average maintenance payments is indicated in Table 3.

Due to initial higher maintenance awards to post-scheme pensioners they are in a very slightly better financial position than pre-scheme pensioners. Sole parents with one, two, three or four plus children have gained on average \$2.02, \$4.98, \$5.92, \$5.66, respectively, more than pre-scheme pensioners with similar numbers of children. However given the impact of inflation the average amount received in real dollar terms has not changed significantly as a result of Stage 1.

For sole parent pensioners with maintenance as their only source of additional income the 'new' test appears harsh on all categories, but especially those with the greatest number of children.

Those sole parent pensioners who have some other non-pension income as well as maintenance payments will benefit from the two separate income tests. In Table 4, a breakdown of sole parent pensioners by maintenance and other non-pension income, as of June 1988, indicates the number and percentage of those who fall into this category compared to other groups (DSS, 1989).

Those sole parent pensioners who appear to gain a significant advantage from the two separate income tests are those in group (c). However as these sole parents represent only 14.3 per cent (a little over half of the 27% receiving maintenance) of all sole parent pensioners only a small number - 34,193 - are in a position to gain from the two tests.

Winners and Losers in The Child Support Scheme Stage One

It would seem that the sole parents with maintenance awards most likely to substantially gain from the Child Support Scheme are those who are not reliant on the social security system for their main income support but are in full-time employment. Approximately 22 per cent of female sole parents, were in full-time employment in Australia in 1988 (ABS, 1989).

These parents, unless entitled to part pension or benefit will not be subject to any of the income tests described above which result in high effective marginal tax rates for sole parent pensioners. It can be argued that the income test applying to child support awards is a form of double taxation as the award is based on the income of the non-custodial parent already subject to personal income tax and then tested again in the hands of the custodial parent. Provision in the Income Tax Assessment Act 1936 exempts from liability maintenance payments in the hands of the recipient. For sole parents not in receipt of a pension their maintenance payment incurs no tax (see Bradbrook, 1987).

**TABLE 2: EFFECT OF MAINTENANCE INCOME TEST ON AVERAGE MAINTENANCE PAYMENTS
FOR PRE-SCHEME SOLE PARENT PENSIONERS**

		Sole Parent Pensioner			
		1 child	2 children (\$ per week)	3 children	4+ children
a)	AMP ¹	26.68	41.99	51.22	54.15
b)	Less FA ²	15.00	20.00	25.00	30.00
c)	Sub-total	11.68	21.99	26.22	24.15
d)	Less 50¢/\$1.00	5.84	10.99	13.11	12.07
e)	Total (b+d)	20.84	30.99	38.11	42.07
f)	Reduction (a-e)	5.84	11.00	13.11	12.08

Notes: 1) AMP = Average Maintenance Payment
2) FA = Free Area

Source: Department of Social Security (1989a).

**TABLE 3: EFFECT OF MAINTENANCE INCOME TEST ON AVERAGE MAINTENANCE PAYMENTS
POST-SCHEME SOLE PARENT PENSIONERS**

		Sole Parent Pensioner			
		1 child	2 children (\$ per week)	3 children	4+ children
a)	AMP ¹	30.73	51.89	63.07	65.47
b)	Less FA ²	15.00	20.00	25.00	30.00
c)	Sub-total	15.73	31.89	38.07	35.47
d)	Less 50¢/\$1.00	7.86	15.94	19.03	17.73
e)	Total (b+d)	22.86	35.94	44.03	47.73
f)	Reduction (a-e)	7.87	15.95	19.04	17.74

Notes: 1) AMP = Average Maintenance Payment
2) FA = Free Area

Source: Department of Social Security (1989a).

TABLE 4: SOLE PARENT PENSIONERS, JUNE 1988, WITH OTHER SOURCES OF INCOME

	Number	Percentage of Total
a) nil maintenance and nil other non-pension income	98,424	41.2
b) with maintenance only	29,731	12.5
c) with maintenance and other non-pension income	34,193	14.3
d) other non-pension income only	76,308	32.0
e) Total	238,656	100.0

Source: Department of Social Security (1988).

The more generous income test for income other than maintenance will also benefit parents who are able to find suitable part time employment. The rationale behind having two income tests is to encourage sole parents, usually mothers to return to or enter the workforce after separation or birth of their child. Whilst the theory behind the two income tests may be admirable, it ignores the very real structural barriers to women's participation in the paid workforce. These barriers range from the availability of work which either fits in with family commitments, or is appropriate to the women's skills, or is available at all in areas where many sole parents are concentrated in public rental housing.

It also ignores the fact that many women with small children prefer to be at home with their children during their early years and that even if they want to work suitable child care facilities are limited or unavailable.

In 1987 only 10.5 per cent of children aged 0-5 had places in childcare centres or family day care, the type of services most suitable for working mothers (ABS, 1988). Furthermore there are few or no provisions to assist working sole parents with older children during school holidays or before or after school care or for when children are ill.

Many sole parents may simply find it too onerous to care for, for example, young children, and obtain paid employment which will make the time and energy costs financially viable, given the high rate of withdrawal of benefit after the income free area has been reached, the payment of income tax and the loss of fringe benefits. The structure of the income test results in effective marginal tax rates for sole parents substantially higher than the highest explicit marginal tax rate in the income tax system (Gruen, 1989). Poor understanding of income testing and taxation arrangements and their effect on the levels of disposal income for sole parent pensioners has been noted previously (O'Donohue, 1989, 39). We believe the introduction of the child support scheme with its spouse and/or child maintenance components, in conjunction with the earnings component both affected by two separate and different income tests inter-acting on levels of pension payment, introduces a heightened level of complexity for sole parent pensioners attempting to maximise their options.

The financial return from even full year full time employment does not necessarily guarantee a disposable income above the poverty line for female single parents given the costs of working, e.g. transport, clothing and child care, and the fact that many women are segregated in low paying, low status employment.

It would seem fairer even if the two income tests are maintained at different levels that where a woman earning receives no maintenance, she should be able to claim that income free area as well, and where a woman receiving maintenance does not earn at all or does not earn up to the earnings income test area, she should be able to set off the remainder of that income free area against the maintenance income. In any event, **the income free area for both tests should be raised and indexed** mainly in recognition of the high costs of children and to increase the viability of labour force participation of female single parents, as well as contributing to the reduction of the numbers of these families in poverty.

Indexation of the free area is important as, while there have been increases in the real value of pension payments in the last two decades, there have been declines in the real value of this component over recent years.

The loss in the real value of the free area in the pension income test has been particularly harsh for sole parent pensioners with dependent children. A sole parent pensioner with two children would have suffered a decline of 68 per cent in the real value of the free area between December 1972 and June 1987. Even with the increases in the free area in 1987 from \$30 to \$40 for single pensioners and \$6 to \$12 for additional children the effective decline in the real value was still 51 per cent. (O'Donohue, 1989, 29)

Whilst paid work is likely to be the most satisfactory way in which sole parents can raise their living standards, their entry into the workforce is dependent upon factors noted above which make the justification of the separate income tests ring hollow. The ability to use up the combined income free areas in the way we suggest above, would mean that there was less of a disincentive to work especially for those where maintenance is likely to be low or non existent. The structure of the income test at present is punitive, creating poverty traps for sole parent families.

For sole parent pensioners, increases in Family Allowance rates and the additional pension and benefit rate for children and their indexation to rises in the CPI announced in the April Economic Statement 1989 are significant and worthwhile benefits, as is the jobs employment and training scheme (JET) announced in the 1988 Budget. JET began operations in March 1989 and is likely to take a considerable amount of time before any impact at all is visible on sole parent employment.

In looking at the Child Support Scheme alone, our argument is that whilst it will undoubtedly assist women, the vast majority of sole parents who rely (as noted above) on social security payments, will at the least be distressed if not inconvenienced by the requirement to seek a maintenance order through the Courts, particularly when the pensioner is made aware she must pursue court action within a certain time or face cancellation of pension or benefit. Many will be financially disadvantaged through the imposition of the income test and a substantial number will simply receive no benefit at all from the scheme.

Among its recommendations to the Attorney General in 1988, the Family Law Council expressed reservations about compelling a parent personally to institute and try to resolve maintenance proceedings at a time of emotional trauma. Ensuring the non custodial parent's financial contribution to their children is, we believe, the responsibility of the government. It is they who should instigate the proceedings against the parent for support, as is done most successfully in Sweden (Gustafsson, 1987).

As there is at present no guaranteed maintenance payment, some sole parents, such as widowed Class A and Class B pensioners and male widowed supporting parent beneficiaries, have no entitlement to assistance under the scheme. In June 1988, there were 15,599 such sole parents with 27,376 children representing approximately 6.5 per cent of all sole parent pensioners and approximately 6.5 per cent of all dependent children in sole parent pensioner families. Others who may not receive maintenance are those (whether pensioners or not) where the non custodial parent cannot be found, is not known or has been imprisoned or institutionalised. The level of income of non custodial parents may be too low to reasonably expect maintenance and those non custodial parents themselves on a pension or benefit will not be expected to pay. Secomb estimates up to 30 per cent of all sole parents may not benefit from the scheme at all (Secomb, 1988).

Stage Two: Implemented in October 1989

Stage Two of the Scheme which was planned to be in force in July 1989 was delayed until 1 October 1989. This stage involves the creation and application of an administrative formula for the assessment of Child Support payments. Stage 2 may eliminate some administrative problems identified in Stage 1, however it is likely some fundamental inequities will still exist.

The Child Support Consultative Group, chaired by Justice Fogarty of the Family Court of Australia, presented in its report a formula for the administrative assessment of child maintenance (Child Support Consultative Group, 1988). Its purpose is both to provide greater consistency in the amount of maintenance paid by non-custodial parents for their children, and to provide a method which will remove the present obligation of parents to go through expensive and lengthy Court proceedings in the majority of situations.

One of the major arguments of the Child Support Scheme's proponents is that maintenance levels will rise significantly once the scheme is underway, because of the use of the administrative formula in Stage 2.

The Child Support Consultative Group proposes that the formula will apply to parents who separate after its introduction (or for parents with children born after that date who did not live together). In other cases, the Court will have discretion whether to apply the formula when dealing with maintenance applications.

The report also deals with other issues such as how the formula will interrelate with child support provided in forms other than periodic cash payments, how disputed paternity is to be decided, and the liability of step-parents for step-children. The issues of how to apportion liability in cases of shared and split custody are also covered.

The Child Support Formula

The proposed scheme provides that the non-custodial parent should pay a certain percentage of the income of that parent by way of maintenance for children.

Apart from the power of the Court to vary it in certain circumstances, the formula is to operate as follows:

- a) The non-custodial parent's income will be assessed in a similar way to taxable income;
- b) part of the income of the non-custodial parent will be established as a component for self support and for the support of dependents in the same household;
- c) the custodial parent's income will be disregarded up to the level of average weekly earnings (plus actual child care costs up to a specified limit). Income above this will reduce the non-custodial parent's liability;
- d) it is proposed that the following formula will be applied to whatever income of the non-custodial parent remains after deducting the self support component and the relevant surplus income of the custodial parent, i.e.
 - one child 18 per cent,
 - two children 27 per cent,
 - three children 32 per cent,
 - four children 34 per cent,
 - five or more children 36 per cent;
- e) The maximum income of the non-custodial parent for which the formula can apply will be twice average weekly earnings. This is subject to a review by the Courts.

Legislation is currently being drafted by the Federal Government to create the child support formula. It remains to be seen how closely it will mirror the recommendations made in the report of the consultative group.

6. CONCLUSION

We believe it is too early at this stage to estimate whether the Child Support Scheme is achieving its principal aim of ensuring that the majority of non-custodial parents contribute appropriately to the financial upkeep of their children. Until figures are made available from the Agency on the numbers of sole parents in the Scheme compared to the total sole parent population and until they indicate those others who qualify for maintenance but for whatever reason are not receiving it no final evaluation can be made of Stage 1. We do not believe, as we have indicated, that parts of the Scheme are clear, simple or understandable either to separated parents who need to access the system nor to the counter staff at local DSS offices who must administer it.

As we have indicated a significant percentage of children in sole parent families will not be assisted at all by the Scheme because there is no non custodial parent in the case of widowed families, the non custodial parent is unknown or can not be found or their income is too low to allow maintenance payments.

Finally, while it seems likely the Scheme will result in substantial savings in government expenditure on sole parent pensions, it is clear that given the stringency of the income tests that apply and the changes to property and lump sum transfers and the other significant factors impeding well paid labour force participation, the Child Support Scheme will in itself be insufficient to alleviate the poverty of a substantial number of single parent families.

APPENDIX

SAVINGS PROVISION

People who received maintenance prior to the introduction of the Child Support Scheme on 1 June 1988, and who had advised DSS of the receipt of maintenance, were means tested at the following rate:

Before June 1988 the weekly free area was \$42 for self and first child; and \$6 for every extra child. Any extra \$1 received over that amount reduced the pension by 50 cents.

After 1 June 1988 the maintenance means testing altered to:

Free area	\$15 for the first child
	\$5 for every extra child

The government promised that no sole parent would be worse off under the new scheme, so beneficiaries/pensioners who would receive less under the new scheme would be 'saved' and would continue to receive the amount they received prior to 1 June 1988, e.g:

Sole parent pensioner with 1 child receiving \$30 per week maintenance -

Pre June 1988 benefit paid at maximum rate;

Post June 1988 benefit would be reduced by \$7.50 because:

	\$30.00	maintenance received
deduct	<u>15.00</u>	free area
	<u>\$15.00</u>	
divide by 2 =	\$7.50	

This person would be 'saved' \$7.50 per week.

Until the saved amount is used up or absorbed, the person will not receive the following:

- normal pension CPI increases
- increases in children's payments or rent allowances
- any increases in maintenance paid

e.g. 1) If the December increase is \$7.50 'the savings' will be all absorbed. The pension will stay at the same level.

2) If the December increase is \$8.15 the pensioner will received \$0.65;

i.e.	\$8.15
less	<u>\$7.50</u>
	<u>\$0.65</u>

Once the saved amount is used up all pension increases will be granted automatically and maintenance income will be income tested as normal, at 50 cents in the dollar above the free area.

Source: Australian Council of Social Services (1988b).

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LABOUR MARKET FLEXIBILITY - TO WHAT END?

Flora Gill
Department of Economics
University of Sydney

1. INTRODUCTION

Changing economic circumstances demand an adaptive social response. Under the impact of a sudden shock it is easier to overcome inertia, and thus remove institutional anachronisms which benefit nobody, than when change is gradual. There is no doubt, therefore, that when the macroeconomy is in a dire condition the time is ripe for consideration of a range of strategies, all aimed at improving productive efficiency. But how should we manage this change?

The laissez-faire position asks us to entrust ourselves totally to unfettered market adjustment. The existence of social cost is not denied, but since no alternatives are to be contemplated there is little attempt made to evaluate the quantitative and qualitative dimensions of this social cost.

At stake, however, are not only the social ramifications of poverty and the decline of morale, self-confidence and self-esteem, but also straightforward demands on economic resources which are not readily justifiable.

The mounting demand to allow markets a freer rein has recently focused on the labour market, often subsumed under the notion of the need for increased 'flexibility' at the enterprise level. The question then is, when is it warranted to engage in a major institutional reform which grants a high level of flexibility at the enterprise level and which permits major changes in work conditions, including a large reduction in the size of workforce? What could be the consequences of such an institutional reform?

The issue can be discussed in terms of three possible scenarios. First, improved organisation which eliminates pure waste while maintaining employment clearly represents an unambiguous improvement in productivity of the economy as a whole. In the language of game theory, we would be talking about a positive-sum game, with everybody being made better off.

Second, growth in output per worker resulting from longer working hours and an intensified pace of work, is a distributive, rather than productivity-enhancing, measure. If workers already work long hours and the conditions of work are arduous, productivity growth becomes a euphemism for pure and simple exploitation.

Third, there is yet another class of change which generates genuine productivity increases that enable a genuine rise in economic welfare, but only for a sub-set of the population. Productivity growth then primarily takes the form of increased profits and wages for those remaining within the enterprise, but the shed workforce experiences acute deterioration of its standard of living. There is strong statistical evidence to indicate that such dualism has taken place in the UK during the 80s, where the rise in the output per worker has been associated with large scale retrenchments, while the wages of the workers who have retained their jobs, and firms' profits, have increased sharply (Rowthorn, 1989).

The employment level in a given enterprise can be kept intact, in the wake of significant rise in the output per unit labour time, only under two conditions - either the product market expands sufficiently to absorb incremental output, or average working hours are reduced. A cut in the number of hours of work does not appear to be on the agenda at present. Consequently, large scale restructuring of production at the enterprise level which is not accompanied by a substantial expansion in the firm's product market will inevitably involve shedding of labour. Justice Fisher, the President of the New South Wales Industrial Commission, in an address to a 24 February 1989 Seminar on Structural Efficiency - Identifying all the Opportunities, organised by Public Employment Industrial Relations Authority said that restructures 'had given rise to, on average, 20 per cent reduction in workforce numbers' (cited in McGraw, 1989, p. 11). If the level of output achieved by the average establishment had not been reduced (and assuming that the shed labour had not been replaced by new recruits), a retrenchment of 20 per cent of the workforce suggests that labour

productivity rose by 25 per cent. To keep employment intact the establishment's product market would then have had to expand by 25 per cent. Where 30 per cent of the workforce are retrenched the percentage the product market would have to expand by is nearly 50 per cent. This may be a rather ominous task. Any attempts to achieve such a remarkable expansion will tend to require large relative price cuts which may be frustrated by oligopolistic market structures. Alternatively, if the firm faces 'monopolistic competition', product differentiation may be sufficiently strong to confront it with relatively inelastic demand conditions. In either case market conditions set an upper limit on the rate at which the product market can be expanded within any reasonable time period. Furthermore, expansion of the product market, notwithstanding the tale told in the textbook, does not automatically follow price cuts. Rather, expansion of sales often demands a substantial investment cost in financing a marketing offensive, the results of which are fraught with uncertainty.

Shedding of labour, thus, is a real possibility when an establishment undergoes restructuring on a large scale. Unless such labour is absorbed in another part of the economy in reasonably dignified alternative employment, productivity gains will largely represent distributive ploys, with the winners riding on the backs of the disenfranchised.

We thus face a choice between two extremes. One is an exclusive reliance on enterprise level reform, with no comprehensive program of relocation for the displaced workforce. This will, in all likelihood, generate a classical dual economy under the banner of market efficiency, but the main outcome will be redistribution from the middle to the extremes (see the following section for a more detailed discussion). The other is a social commitment to the comprehensive provision of public retraining facilities.

However, the establishment of a public system of human resource transfer on the required scale and level of quality faces a major hurdle. Advocacy of equity and the adoption of interventionist measures entail swimming against the prevailing current.¹

Economics has, unwittingly, contributed to this state of affairs, particularly through the 'equity/efficiency' dichotomy which is usually at the core of these debates and which often provides the impetus for rejecting equity agendas in the name of efficiency imperatives. Another obstacle which has played into the hands of supporters of blanket deregulation is the widely held belief, among both proponents and opponents of laissez-faire, that economic science tells us to place our unreserved faith in market adjudication, at least on 'efficiency' grounds.

Yet this is not only a strictly incorrect representation of pure microeconomic and general equilibrium theories, but also a rather biased description of the sentiment prevailing among economists about the pursuit of wide reaching laissez-faire regimes in practice.

Similarly, the equity/efficiency dichotomy is a flawed analytical construct. Unfortunately, however, its shortcomings have long ago been swept under the rug, and so the concept remains current.

The present paper is structured around three interrelated areas. First, it takes issue with this conventional dualism of equity and efficiency concerns. Second, it argues against the identification of efficiency with the pursuit of non-interventionist economic policy.

Third, the paper argues that the rhetoric of 'efficiency' has obscured some obvious distributional aspects of deregulation and flexibility so keenly sought by employers in reaching employment agreements with individual employees. Whether the proponents of deregulation are fully conscious of the distributive consequences of their reform agenda or whether they are largely driven by ideological motives is entirely irrelevant to the nature of the argument put forward. The crucial point is that, unless society permits the government to embark on a comprehensive retraining program at the required level of quality, improvements in living standards of the majority will be at the expense of a drastically disenfranchised minority.

1. Demands for deregulation of the labour market also appear to have drawn on the strength of the belief that the Australian system of wage fixing has been egalitarian and to an excess. However, this view does not tally with the historical record of wage fixing in Australia (Gill, 1988).

2. A CRITICAL LOOK AT THE EQUITY/EFFICIENCY DICHOTOMY AND THE EFFICIENCY ATTRIBUTES OF UNFETTERED MARKETS

The pitfalls of the equity/efficiency dichotomy

Efficiency is a readily defined concept - it simply says that efficiency is achieved when a given goal is reached with minimal cost. The efficiency of any mode of organisation, therefore, cannot be defined until the goal of that organisation is defined. In formal terms, a society achieves economic efficiency when the value of the social welfare function achieves its highest potential value given the set of (resource) constraints. Equity must form an integral part of the goal for which economic resources are deployed in any society which is at all concerned about this aspect of its system of production and distribution. A society which places a premium on equity and then proceeds to erect a system which is not at all designed to attend to equity fails to achieve allocative efficiency! Logically, equity and efficiency are, therefore, not opposites to be traded-off against each other.

The term 'efficiency', as it appears in the policy parlance, is really a misnomer. Continuous misuse of the term is unfortunate, because it endows that which denotes, at best, the aim of maximisation of income per capita with the aura of a logically, and indeed even morally, compelling rationale. This latter is embedded in the notion of the efficiency maxim per se - to be inefficient is to be irrational and wasteful (it is easy to see why in a world where resources are scarce we are ethically bound to condemn wastefulness). But to attend to maximisation of income per capita, in disregard of the distributional consequences (whether intra- or inter-generational) is surely not efficient except for extremely narrowly focused societies.

Economists are well aware of the fact that the conventional use of the term efficiency is a euphemism for what really denotes maximisation of average income. However, the fact remains that it loads the debate in favour of the pursuit of higher income, playing down distributional goals. Traditionally, we have separated the questions of efficiency and equity, structuring production in terms of 'efficiency', which effectively boils down to maximising average income. We then assume that the question of distributional equity can be addressed separately through the fiscal system. But this practice sweeps under the rug some disturbing problems.

First, there are limits to the fiscal system's ability to redistribute income, especially given the overall reluctance of politicians to raise taxes from the public. Secondly, it is inevitable that laissez-faire steps taken to maximise 'efficiency' will have distributional ramifications which cannot be redressed through the fiscal system. Even with the best will in the world, society cannot adequately compensate those individuals who find themselves serving as a buffer-stock for microeconomic productive efficiency. As I argue below, the generation of such buffer-stock is a likely consequence of the type of labour market reforms being advocated at present.

Economic theory on the efficiency of market adjustment

Let us set aside for a moment the question of equity and focus on the efficiency question in its conventional form, which identifies it with the maximisation of average per-capita income. How compelling is the argument that laissez-faire, in its ability to deliver such a goal, is superior to any form of more interventionist economic regime? While there are economists who would argue that this is indeed the case, it remains true that (mainstream) economic theory does not compel us to support this proposition.

Economic theory does have a concept of efficiency which is linked to a concept of perfect competition, but both concepts are confined to so-called equilibrium states. Theory proposes only that if the economic system satisfies a given set of (rather unrealistic) conditions and if it has actually reached a state where supply and demand are everywhere in balance, then and **only** then, have we reached an efficient allocation. In what sense? In the sense that a small departure from equilibrium which upsets the balance of supply and demand by a notch would generate losses for some individuals which could not be offset by the gains accruing to other individuals. A departure from equilibrium would thus diminish the size of the social aggregate. In contrast, movement converging on this equilibrium, if such a process could actually be implemented, would generate a surplus which if properly distributed would generate no losers and (at least) some winners.

All this is honest logic which leaves open the question of whether unfettered market adjudication can form a genuine shuttle system which will successfully transport us to such a promised land. The question of convergence to this putative efficient equilibrium (as distinct from the set of assumptions needed for the existence and uniqueness of such equilibrium) has recently been the subject of a voluminous literature which models the consequences of more realistic assumptions. This research, as one analyst summarised it, shows

how hard it is to tell a sensible disequilibrium story with a competitive ending [emphasis is mine]. (Hey, 1979, p. 181)

Finally, there is one more area of analytical development which merits attention because it throws into question the conventional signs of market malfunction. Traditionally, when prices do not fluctuate frequently and readily in response to changes in demand, and where resources are not as mobile as many people believe they should be, there is a tendency to feel that efficiency is being compromised. However, recent theoretical developments within microeconomic (as distinct from general equilibrium) theory offer a host of propositions which substantially diminish the frequency with which prices and quantities can be expected to change. Most importantly, this literature explains in rational terms a whole array of practices which are castigated as manifestations of institutional rigidity, or the machinations of irrational individuals, when viewed in the framework of the basic microeconomic model. Such practices, this literature concludes, often manifest superior efficiency properties when examined in an orthodox frame of analysis which incorporates more realistic axiomatic assumptions describing the opportunity sets agents face.²

A logical outcome of the analysis is that efficiency, even when defined simply in terms of the maximisation of income per capita, can be better served by a structure which sets limits on the prerogatives of market forces. Consequently, we face a troublesome identification problem. We must distinguish between **benign** and **malignant** departures from the simple elementary textbook description of (perfectly competitive) market adjustment. Likewise, we must distinguish between institutional arrangements which in all likelihood augment productive efficiency and those representing pure anachronism. These can in principle operate at all levels - enterprise, industry or economy-wide. It clearly follows that blanket dismantling of regulation could be worse than even an anachronistic 'regulatory' structure.

In summary, the thrust of the theoretical literature is that there is very little likelihood that unfettered market adjustment offers a readily available adjustment mechanism, even if the pursuit of maximum average income per capita was the sole goal of economic life. It is much more likely that the optimal system will involve significant intervention. Such a system has yet to be designed.

3. FLEXIBILITY TO WHAT END - EFFICIENCY OR DISTRIBUTIVE AGENDA

The distributive agenda

Flexibility is not intrinsically virtuous. It can be a virtuous agent when in the service of a virtuous cause, but it can also be a euphemism for a desire to attain the flexibility necessary for pure and naked exploitation of newly found economic bargaining power.

In an economy where unemployment remains as high as it has since the mid-70s, and where the prospects are that the situation will remain largely unaltered well into the future, employers are presented with a radically changed set of employment options. The high rate of turnover, so problematic for industry in the 60s through the early 70s, is a matter of the past, at least as far as low-skill workers are concerned. The sharp decline in voluntary quit rates (and therefore labour turnover rates) among workers as unemployment levels soar has been a well established statistical observation (Kniesner and Goldsmith, 1987). Workers with long tenure at a given enterprise, supporting dependent children, and/or well into middle age, are encumbered by firm-specific skills which are non-transferable and by

2. These include the internal markets literature (Doeringer and Piore, 1970; Williamson, 1975; Wachter et al., 1978; Gill, 1984), implicit contracts analysis (pioneered by Azariadis, 1975 and Baily, 1974), the 'efficiency wage' model (Stiglitz, 1987) and the 'exit/voice' framework (Hirschman, 1970; Freeman, 1976; Freeman and Medoff, 1979, 1984).

mobility costs which are involved in dislocating whole households. They are also confronted by the fact that, in the majority of cases, age becomes a major disadvantage by the time people reach their 40s (even though they are still a quarter of a century short of the mandatory retirement age).

Such workers cannot simply quit their jobs at the slightest deterioration in their pay and work conditions. These pay and work conditions can be pulled down by the combined amount of the value of their specific skills and the mobility (including retraining) costs before quit becomes a significant threat. If the prospects of an alternative job are rather abysmal, this margin is even bigger. This margin represents 'economic rent' which can be extracted from the employee leaving his/her supply of labour intact. Economics proposes that this economic rent can be extracted by the employer in a sufficiently deregulated industrial environment. Stripped of their bargaining power in a largely deregulated environment, such workers become vulnerable to exploitation.

The shift of economic rents from one group to another is a distributional matter having little to do with 'efficiency' as conventionally understood. This is a poignant matter. As the macro labour market deteriorates, as alternative employment opportunities become more scarce, the economic rent accruing to a worker increases. When the chance of an alternative job becomes nil, the total difference between the current wage and the unemployment benefit represents an economic rent. It matters little whether demands for radical deregulation of the labour market are driven primarily by ideological 'worship of the market'³ or by conscious desire to redistribute income, the fact remains that redistribution of what are primarily economic rents is a very real possibility which must be recognised in any design of labour market reform.

Re-employment of the displaced worker

Available statistics reveal that the duration of unemployment increases with the age of the worker. Two distinct sets of causes underlie the difficulties faced by older workers when trying to regain gainful employment.

One is the very uneven rate of growth between the manufacturing sector (where most shed labour originates) and the retailing, services and finance sectors (where the bulk of employment growth has occurred). Most middle-aged blue collar workers will therefore have to leap across wide occupational chasms.

The second factor is the limited ability of the private sector (using on-the-job-training) to equip workers with skills other than those related to the idiosyncracies of production in the particular firm.

On the other hand, when workers must be equipped with general (transferable) skills, the risk of what is known as 'poaching' becomes crucial. Further risks emanate from what economic theory describes as (trainee) 'quality uncertainty'. A firm which engages in substantial training undertakes risks which demand that expected benefits exceed the expected cost by a margin which depends on the perceived degree of uncertainty. Large scale training, in contrast, enjoys reduced uncertainty, because of the 'risk pooling' effect. Furthermore, suitable training facilities may be entirely unavailable within the confines of the individual firm.

Qualitative constraints aside, the scale of training capacity which is made available by enterprise is highly dependent on the scale of production. On-the-job-training is thus a **derivative** activity whose volume is guided strictly by the level of activity in the product market, a fact which explains the perennial shortage of skilled workers whenever the economy departs from the trough of the trade cycle.

In addition, the long term unemployed often need counselling (including psychological rehabilitational help) as demonstrated, for instance, by programs such as Jobtrain. Indeed, Jobtrain attests to the need to equip job-seekers with a battery of skills which form an effective entry ticket into private sector employment. In other words, there are training needs which cannot be met by firms not only because on-the-job-training does not always provide the required capacity, but also because it simply lacks the required facilities themselves.

3. This phrase was coined by one of the architects of Arrow-Debreu general-equilibrium model in a critique of the New Right's position on the role the market should play in economic affairs (Arrow, 1974, p. 16).

4. EMPIRICAL OBSERVATIONS

Statistical data tracing the labour market experience of workers displaced by plant closures and large-scale redundancy retrenchments remain meagre. However, what evidence we do have corroborates the theoretical expectations I have outlined above. I would like to draw on two particular studies. The first is an Australian study which deals with a recent case, while the second is an American study which deals with an earlier episode in the 60s.

Despite the lapse of time the parallels between the two cases are striking. The two groups of workers share demographic characteristics: middle aged men and women, many members of ethnic minorities, with low levels of literacy.⁴ They were retrenched after a long tenure with one firm, and most of them possessed non-transferable skills; in fact most of the workers in both groups were formally described as either semi-skilled or unskilled.

The Australian study is Richard Curtain's longitudinal analysis of the fate of the workers who were retrenched in Bankstown with the closure of one of Email's plants in 1982 (Curtain, 1985, 1987). The American study focuses on the aftermath of the closure of 6 meat packing plants of the Armour company, at the time (1959-60) the second largest meat packer in the US (Shultz and Weber, 1966).

These two redundancy cases differ in one important respect. Email's workers were helped only with lump sum redundancy payments. The workers were then left to fend for themselves. In contrast, in addition to severance pay, Armour workers were provided with intensive training tailored to individual needs (new crash courses were set up when necessary), counselling and job placement assistance. In addition, the program provided financial assistance during the training period.⁵ This difference in treatment did bear different results.

In Email's case, almost one third of the retrenched workforce were still without work and wanting a job when interviewed two years after their retrenchment date (Curtain, 1985, p. 12). Those who found gainful employment often experienced a

... slide from skilled to semi-skilled, or from semi-skilled to unskilled work. (ibid., p. 54)

Eighty per cent of the respondents experienced a deterioration in both their earning level and physical work conditions. Personal and familial emotional problems were also evident (ibid., pp. 50-51).

Curtain concludes

The effects of redundancy, therefore, are not only to do with direct displacement of a significant proportion into unemployment for a considerable length of time. There is also the indirect displacement of skilled into low skilled and low-paid jobs....it is not easy for blue collar workers from manufacturing industry to switch to other sectors where employment has grown over the last decade. (ibid., pp. 54-5)

In the US the establishment of the Automation Fund Committee was motivated by the fear that, left to fend for themselves, Armour's retrenched workers would fall victim to the experience Curtain describes above. Shultz and Webster were adamant that retraining was a precondition for re-entry into gainful employment:

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4. e.g. in the US city of Oklahoma the median age was 40 for males and 45 for females. Half of the group of trainees had less than eight years of education.
 5. Labour market conditions were not too different. Local unemployment levels in the American cases were as high as five per cent, somewhat lower than Australia's in the 80s, but on the other hand, the Sydney Metropolitan area offers a larger pool of opportunities than the relatively smaller towns involved in the American case.

The displaced Armour workers had dim employment prospects in anything but a tight labour market. (Shultz and Weber, 1966, p. 7)⁶

And again,

... formidable handicaps may be imposed by the fact that many displaced workers, who have been long accustomed to a specific job, have no particular skill to offer to a prospective employer in another industry. If workers are not to be relegated to the unskilled labour pool, some form of skill development must be brought into play. [emphasis is mine] (ibid., p. 196)

The experience which Shultz and Weber amassed in the course of this ambitious project with which they were closely associated is surprisingly pertinent to the economic realities of the 80s.

Clark Kerr, then President of the University of California and George Shultz, then Dean of the Graduate School of Business at the University of Chicago, were the co-chairmen of a committee (jointly staffed by the employer and by two trade unions) overseeing a comprehensive retraining program which prepared workers for a whole range of jobs not only within but also outside the manufacturing sector.

This program and the funds which were made available by the employer were established under the collective bargaining contract in 1959 as part of a redundancy package negotiated between the unions and the employer. The 1959 contract was reached after a period of industrial conflict which was precipitated by a series of plant closures by Armour, beginning in 1951. It was concluded that

Collective bargaining has helped produce a greater awareness of the magnitude of the problem where casual indifference might have prevailed ... It has sought some acceptable basis for distributing the costs and benefits of the new technology among those who are directly affected. (Shultz and Weber, 1966, pp. 46-47)

The experience of this project is documented in Shultz and Weber (1966). Kerr, in his foreword to the book, summarised the accomplishment of the program in the following words:

... one can only express surprise and gratification at how much a relatively modest sum ... can still accomplish in the right hands. (Shultz and Weber, 1966, p. viii)

However, Shultz and Weber caution,

Retraining is not an automatic process; rather, it requires painstaking attention to the supporting arrangements and the conduct of the courses. (ibid., p. 156)

The second factor emphasised by the authors is the availability of adequate financial support for trainees to ensure entry into the retraining program and to minimise the drop-out rate.⁷ Success, the authors say, can be achieved

6. They estimated that only 10 per cent of the workforce in a large meatpacking plant possessed 'identifiable skills which can be utilised in other industrial situations without supplementary training ...' (ibid., p. 7).

7. The authors warn: 'the price of low [financial] support in a lengthy program is a high dropout rate' (ibid, p. 150).

... only when training facilities are available and financial support for trainees is forthcoming. (Shultz and Weber, p. 138)⁸

They end with a happy note. Their involvement with the program, they say, suggests that

... it does seem feasible to retrain displaced workers who have limited educational background. Such training may not result in immediately high earnings, but it does seem to help in finding new jobs and in giving a new occupational orientation. (ibid., p. 171)

Indeed, the results can be described as remarkably successful. The drop-out rate was just 10 per cent. Unemployment among workers completing the training was virtually nil. Many workers managed to cross solid occupational borders, despite advanced age, low literacy levels and extremely specialised and narrowly based employment histories.

Sweden has proven that the Armour story can be replicated on a national scale, and sustainably so. In particular, large numbers of timber workers from Sweden's deep north were lured south into the metal industry plants, with a combination of carrots (generous dislocation grants, intensive retraining, readily available housing and a promise of employment) and sticks (less generous unemployment benefits for those reluctant to engage in the combined geographical and occupational move). Most of them were transformed from lumber workers into fitters and turners and other metal trades, in specially tailored (full time) 'crash courses', often within periods shorter than one year (often as many as two per cent of Sweden's workforce have been in retraining in any single year).⁹ Upon completion of the courses they have been hired by the burgeoning metal engineering industry which has supplied over half of Sweden's export earnings throughout most of the post-World War II era.

Sweden's national manpower program, it must be emphasised, forms one arm of a more comprehensive policy designed to secure economic restructuring which aims at minimising the cost of resources involved in the process of economic adjustment while progressively compressing the pay structure. Thus the retraining program in Sweden is not used as a step for eliminating existing unemployment, but rather as a preventative measure. Similarly, it is not a vehicle for dispensing alms to the needy, but rather an arm of a major redistributive strategy aimed at the entire income structure.

5. CONCLUSION

Economic reform is often genuinely needed. However, demands for reform can also arise from the distributional aspirations of social groups who feel that economic and political circumstances favour their bargaining power. Thus, although reform rhetoric invokes the 'public interest' and productive efficiency as the objects of change, a desire for redistribution of economic rents also plays its role. Whether proponents of blanket de-regulation of the labour market are actually aware of these opportunities, or whether they are primarily motivated by ideological motives, the fact remains that the creation of a disenfranchised minority is a very likely outcome of reforms envisaged by proponents of radical deregulation.

This paper has focused on the equity/efficiency dichotomy which is at the core of the framework within which labour market reform, and social policies in general, are often discussed. In particular, issue has been taken with the notion of efficiency embedded in this dualism. The paper has also taken issue with the proposition that (mainstream) economic

8. They also warn their readers, stating that 'Public attitudes toward financial aid to unemployed people who are taking training have puritanical tinge. It is frequently assumed that aid will promote malingering and subsidise the idle. This argument is just as erroneous when applied to retraining programs as it has been elsewhere. Training is an arduous experience for the unemployed worker, and can scarcely be considered institutionalised malingering.' (ibid, p. 150).

9. Sweden obviously does not subscribe to the Anglo-Saxon system of apprenticeship training as the mainspring of skilled worker training.

theory compels us to embrace unfettered market adjustment whenever maximisation of average income per capita is the sole goal of socio-economic organisation.

Finally, the paper has concluded with the proposition that a public system of human resource transfer is vital, not only because it takes the edge off the distributional consequences of economy-wide sectoral restructuring, but also because it constitutes an adjustment path that in the final account would make smaller demands on economic resources. Empirical observations have been brought to bear on the analytical arguments underpinning the need for a public system of human resource transfer. In particular, the paper has argued that the experience of retraining workers displaced by the Armour company in the US and Sweden's experience with comprehensive retraining programs at the national level, attest that everybody can be retrained provided they are endowed with sufficient quantitative and qualitative educational support.

Unless society permits the government to embark on a comprehensive (and on-going) retraining and placement program at the required level of quality, improvements in the living standards of the majority will be at the expense of a drastically disenfranchised minority.

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THE BIG CHILL: TRENDS IN THE LEVEL AND COMPOSITION OF PUBLIC EXPENDITURE IN AUSTRALIA

Michael Howard
Public Sector Research Centre
University of New South Wales

If professionals in the main social policy fields were to be surveyed as to their image of trends in public sector expenditure over the past fifteen years in Australia, it would not surprise if a pessimistic image or impression predominated - one in which the public sector was seen as being subject to prolonged and intensifying pressures towards contraction. Over the past fifteen years workers in social policy fields seem to have spent inordinate time fighting 'cuts' to programs, particularly the new programs of the Whitlam era, or enduring endless administrative rationalisations as part of the 'doing more with less' syndrome. To workers in particular fields, the general economic and political environment has seemed threatening to both program expenditures and objectives.

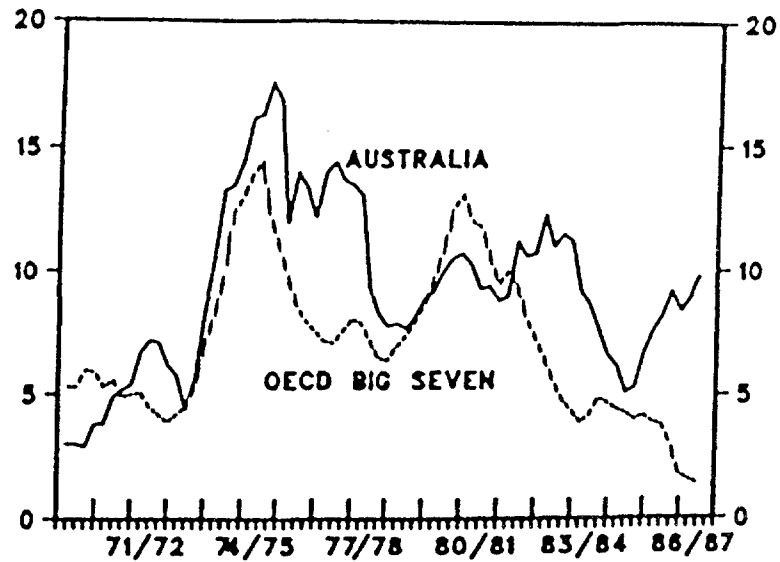
As someone absorbed in this period in the role of health and welfare service delivery and policy development, I see the genesis of this paper as a desire to stand back and see 'how bad things really have been' in the post-Whitlam era and 'where the big picture is heading'. The actual focus of the paper is trends in, and prospects for, the level and broad composition of public expenditure in Australia. As such, the paper is only one step towards an overall analysis of public sector trends and prospects. Thus, while the paper refers to broad inter-sector trends (defence, health, economic services, etc.) it does not look within sectors, to compare expenditure trends by program type (residual versus developmental, etc.). Nor does the paper look at modes of expenditure (salaried, 'permanent' workforce versus contracting out). Nor, again, does it look at modes of financing of expenditure (direct and indirect taxation versus user pays).

These boundary limitations need to be highlighted because the paper shows that the 'contraction' image speculated upon above does not fit the story of aggregate expenditure in the post-Whitlam era and even less, of course, the pattern of the long post-war economic boom. The paper shows that the 'contraction image' certainly does fit the pattern of the past five years, but it suggests that the contraction might not necessarily be as pronounced over the coming five years, at least at the Commonwealth level. To repeat, however, this is not to say that the program objectives, the mode, or the method of finance of expenditure is likely to be more benign over the coming period. On wider evidence, not presented here, the 'reaction' image in these respects is well-based. Whether the comparatively recent downward trend in the real and relative level of public expenditure in Australia is allowed to continue or is stabilised, it is most unlikely that the economic and political environment will yield a return to the long post-war era of expansion in expenditure. Such a re-expansion is only foreseeable on the basis of program objectives and modes of financing not associated with the post-war Welfare State.

In the period since 1975, as in most decades in the last century, the case restraint or reduction in the aggregate level of public expenditure has been argued both on macro-economic and micro-economic grounds. In turn, both macro- and micro- arguments have been based on either theoretical/ideological or empirical arguments or a combination of both. This paper is not concerned with the micro-economic realm (i.e. with claims that, relative to the private sector, the public sector is inherently inefficient, unproductive, less export-oriented, etc.). On the level of the macro-economic policy arena, political demands and economic arguments for restraint or reduction have been based on two economic phenomena: inflation and foreign debt. (In summarising below trends in regard to inflation and foreign debt, I would emphasise that I do not necessarily accept the logic of the argument that cuts in public spending and borrowing are an appropriate response to these two problems. I cite the statistics merely to convey the context and terms in which the case for public sector contraction has been and is being mounted.)

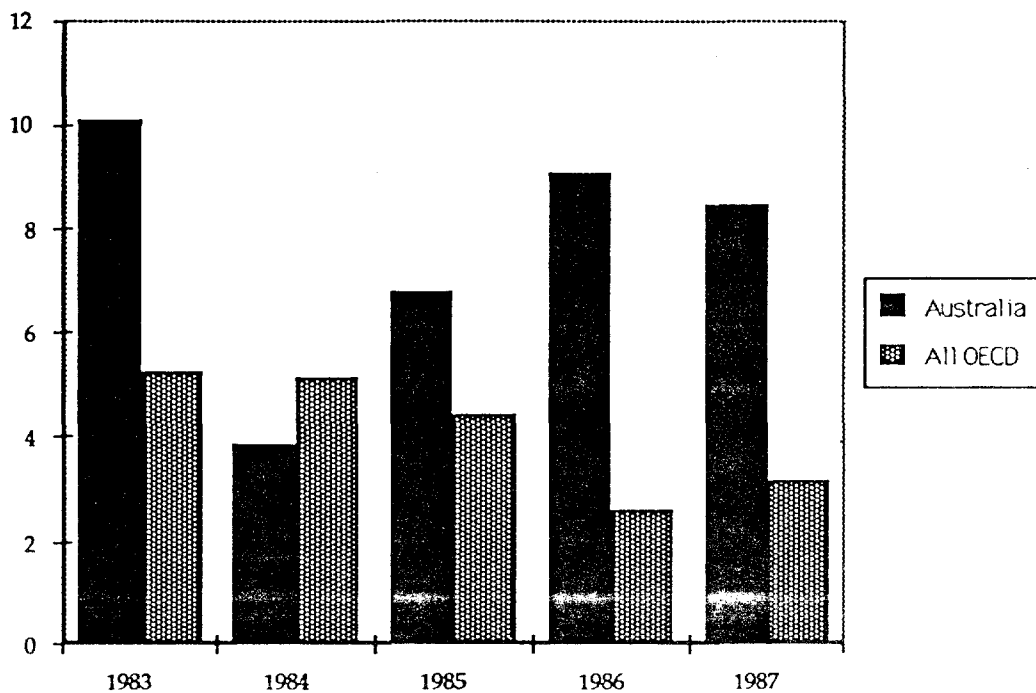
The first three charts below pertain to Australia's inflation rate in the 1980s, compared to other OECD countries. Chart 1 shows that since 1980-81 the Australian rate has been higher than the average rate of the 'Group of Seven' (US, UK, Japan, Germany, France, Italy, Canada). Moreover, the gap has been widening sharply since about late 1984 and is now wider than it was in the late 1970s. Chart 2 shows an equally marked gap in the mid to late 1980s between the Australian inflation rate and the average inflation rate across the (twenty four) OECD member countries - while Chart 3 points up Australia's high inflation rate in 1988 relative to twelve major OECD economies.

CHART 1: CONSUMER PRICE INDEX - % CHANGE FROM PREVIOUS YEAR
(Twelve Months Ended June)



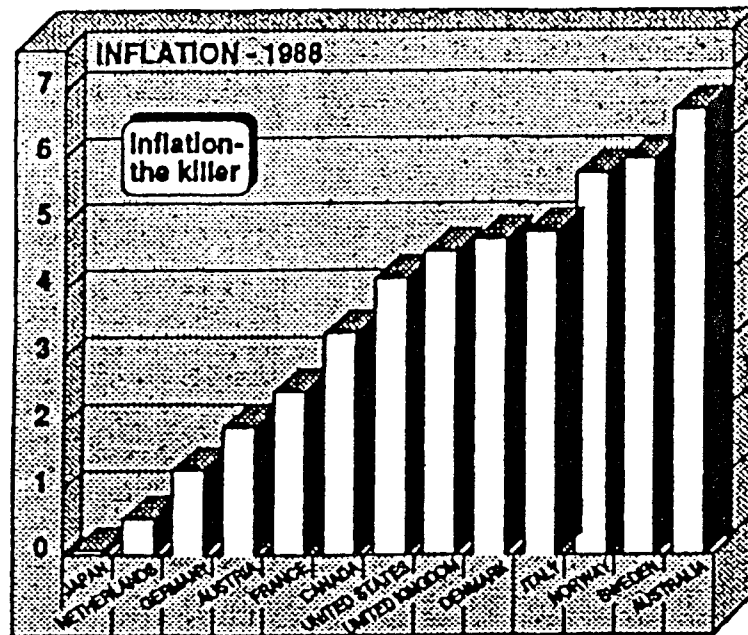
Source: Reserve Bank of Australia (1988, p. 11).

CHART 2: CONSUMER PRICES - % CHANGE ON PREVIOUS YEAR



Source: Abelson and Maynard (1988, p. 25).

CHART 3: CONSUMER PRICES - % INCREASE 1988



Source: Sydney Morning Herald, 15 June 1989, p. 17. Copyright material reproduced with the permission of the John Fairfax Group Proprietary Limited.

The broader economic impact of comparatively high inflation - for example, on international competitiveness and the balance of trade - is a complex question, involving other variables such as exchange rate movements. Whatever the actual economic effect, comparative inflation movements are important at the political level because of the way they have been used to argue for restraint or reduction in the level of public sector deficits (borrowing) and, indirectly, public sector expenditure.

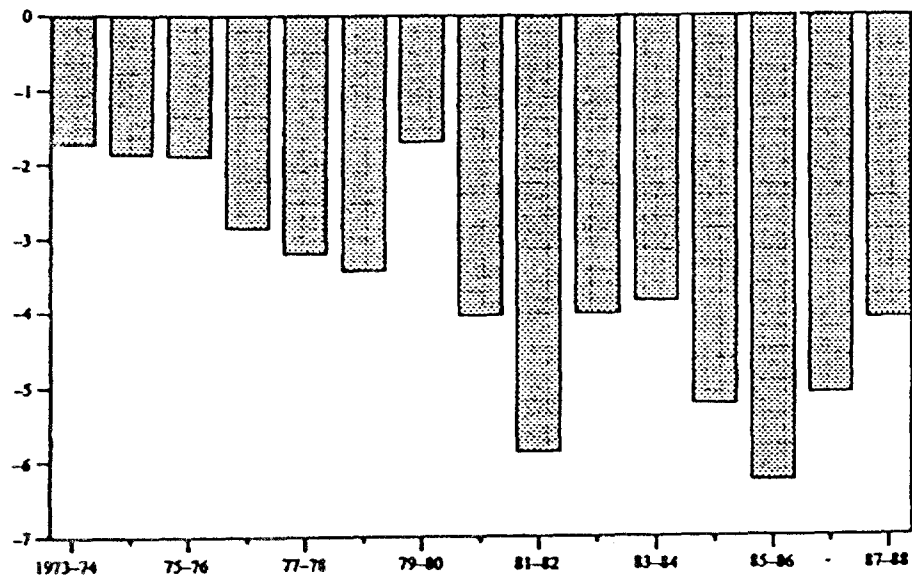
The next set of charts relate to the second but increasingly more prominent crisis theme in macro-economic debate since 1985 - the growth both in the level of Current Account Deficit (CAD) and, stemming from this, in the level of net foreign debt. In nominal price terms the CAD grew consistently from slightly under \$4 billion in 1978-79 to over \$16 billion (estimation) in 1988-89. Through the 1980s the CAD/GDP ratio has fluctuated, rather than increased steadily, but in this period it has nevertheless been at consistently higher level than it was in the 1970s, as Chart 4 illustrates.

The cumulative effect of high CAD levels is reflected in Chart 5, which shows the steep rise in the period 1980-88 in the level of Net Foreign Debt as a percentage of GDP. In nominal price terms Net Foreign Debt passed the \$100 billion mark at the March quarter 1989 (\$103 billion).

Again, the relationship between the growth of foreign debt and the size of the public sector is a complex question, with left economists (e.g. Kearney and Fallick, 1987) rejecting the assertions of business and conservative academic economists (e.g. Moore, 1987; Dominguez, 1987). Thus, in order to round out the context and so understand the trends in public sector finance and expenditure set out below, it is important to note how the macro-economic response to the broad problems of inflation and the balance of payments was mediated by the political system.

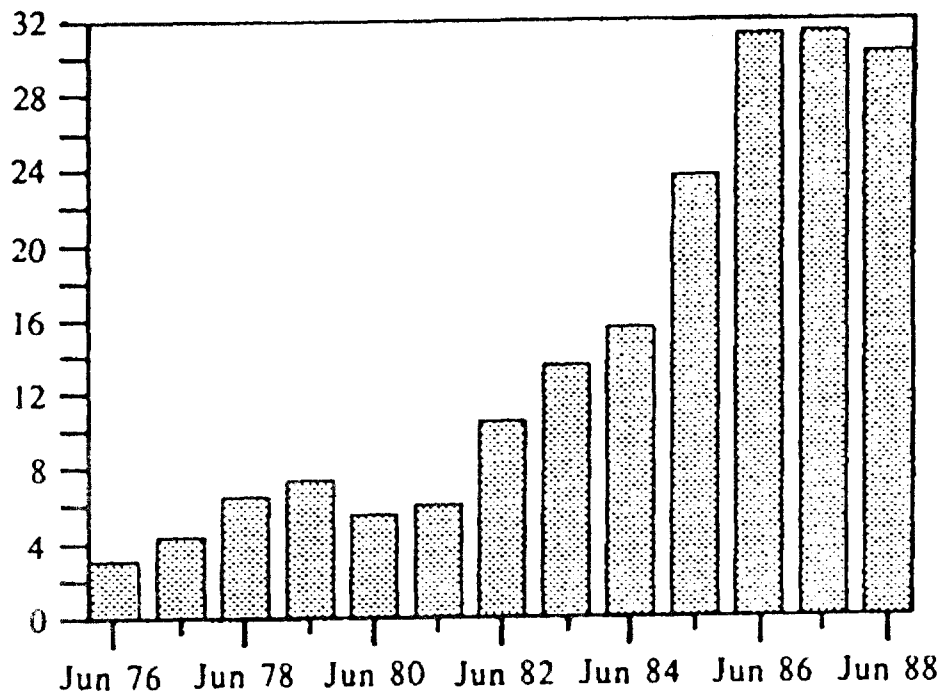
The two problems invited a mixture of responses from at least three arms of macro-economic management - wages policy, fiscal policy and monetary policy. There is not the opportunity here to chart the details of the policy combinations advocated by various segments of the political spectrum. Suffice to say that the peak business

CHART 4: CURRENT ACCOUNT DEFICIT AS % OF GDP



Source: Departments of Treasury and Finance (1988, p. 24). Copyright material reproduced with the permission of the Commonwealth of Australia.

CHART 5: NET FOREIGN DEBT AS % OF GDP



Source: Departments of Treasury and Finance (1988, p. 26). Copyright material reproduced with the permission of the Commonwealth of Australia.

organisations and the Federal Opposition consistently attacked the Government for being too 'loose' on wages policy and fiscal policy and too 'tight' on monetary policy. Within the sphere of fiscal policy these interests consistently advocated cuts to expenditure, rather than increases in revenue. (In fact, they argued for cuts to many areas of revenue - offset, in the case of some organisations, by advocacy of new revenue sources such as a consumption tax.) The chorus of calls for expenditure cuts reached a crescendo in 1987 - a peak year in the profile and horizons of the 'New Right' - with the 'top bid' being that of the Centre of Policy Studies at Monash University. COPS proposed cuts worth \$13 billion in the Commonwealth Budget, equal to 17 per cent of total Commonwealth Budget expenditure for 1986-87.

What was the response of the Hawke Government to this push to diminish the size of the public sector, especially public expenditure? From the signing of the Accord in early 1983 to the second Keating Budget in 1984 the Government adopted a mildly expansionary stance in regard to the aggregate level of public expenditure. The aim of this stance was the reduction of unemployment but it was also premised on the containment of inflation. With inflation heating up in late 1984 and in the context of the December election campaign, Hawke abandoned this stance and locked the Government into a 'Trilogy' of conservative fiscal straight-jackets. The Trilogy provided that:

- taxes as a percentage of GDP would not rise in 1985-86 or over the life of the Parliament;
- government expenditure as a percent of GDP would not rise in 1985-86 or over the life of the Parliament; and
- the Commonwealth deficit would be reduced in money terms in 1985-86 and as a percentage of GDP over the life of the Parliament.

This seminal statement was a rejection of the strategy of even temporary relative expansion. It was not, however, an embrace of relative reduction, though a March 1986 EPAC Council Paper asserted that

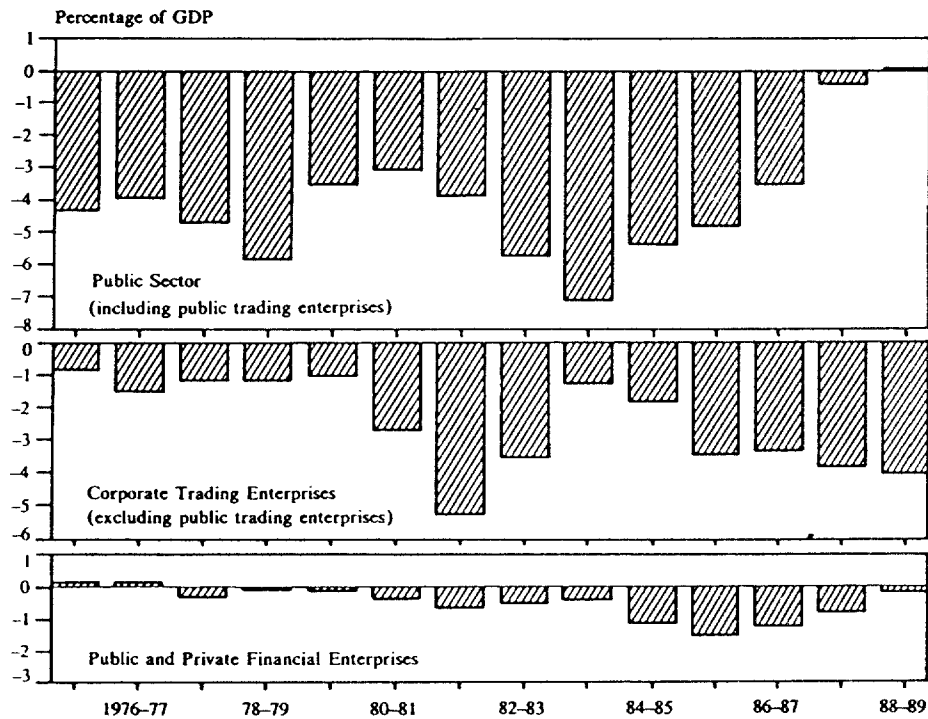
Explicit in the Trilogy is the view that fiscal balance is best achieved by expenditure restraint as opposed to increases in taxation, at least as far as the Commonwealth budget is concerned, under present Australian circumstances. (EPAC, 1986, p. 15)

The deterioration in the Balance of Payments during 1985-86 ushered in a third distinct stance - one explicitly embracing a reduction in the aggregate level of public expenditure relative to GDP and even to price movements. This position, clothed in rhetoric such as 'Restraint with Equity' and 'a smaller but more effective public sector', held centre stage from mid-1986 until early 1988, when in the wake of by-election set-backs and some improvement in the external trade and debt problem, it ceased to be as accentuated.

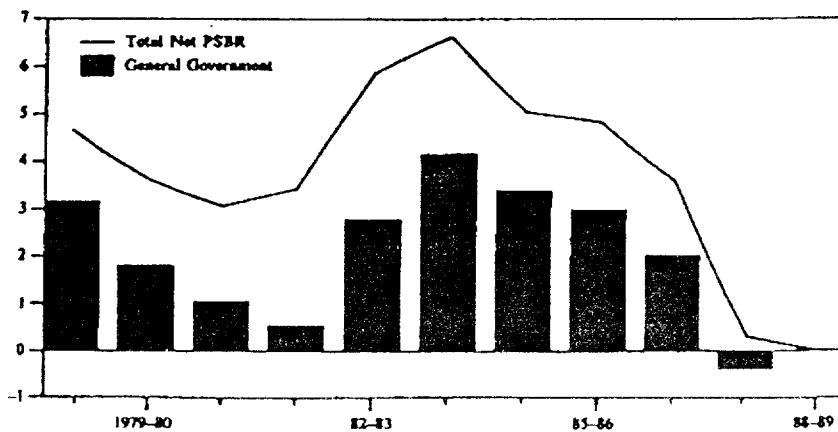
In the wake of the lobbying, posturing and 'policy stances' at the party political level, what then, has been the trend in public sector finance and public sector expenditure in particular? Chart 6 displays the trend in total net public sector and total net private sector borrowing in the period 1975-88. It shows that from a peak level of about 7 per cent of GDP in 1983-84 public sector borrowing was reduced steeply, with the Net Public Sector Borrowing Requirement reaching zero in 1988-89 (in fact, a small surplus being recorded in the first three quarters of this financial year). In contrast, private sector borrowing - specifically, private Corporate Trading Enterprises borrowing - has been rising steadily since 1983-84, with this trend continuing during the first three quarters of 1988-89.

The cumulative effect of this recent year to year redistribution of borrowing is reflected in a restructuring of domestic and net foreign debt. The public sector share of net foreign debt has declined from 35.7 per cent at June 1980 to 26.5 per cent at December 1988 (EPAC, 1989b, p. 14).

Trends in public sector finance can be analysed in terms of 'General Government' and 'Public Trading Enterprises' trends. The former category covers services traditionally provided on a non-commercial basis, with the primary funding source being taxation. Public Trading Enterprises, on the other hand, usually charge for goods and services, with these financial returns being a major source of funding. Examples of services in the General Government category are defence, income security and education, examples of Public Trading Enterprises are airline, electricity and transport services. Of the two categories, the General Government category is the more relevant to the constituency of this Conference. (With the growth of the user-pays principle, however, the broad distinction between these two categories may be increasingly blurred in the future.)

CHART 6: NET LENDING BY PUBLIC/PRIVATE SECTOR AS % OF GDP

Source: Departments of Treasury and Finance (1988, p. 34). Copyright material reproduced with the permission of the Commonwealth of Australia.

CHART 7: NET PUBLIC SECTOR BORROWING REQUIREMENT (% OF GDP)

Source: Departments of Treasury and Finance (1988, p. 54). Copyright material reproduced with the permission of the Commonwealth of Australia.

Chart 7 displays each of these two categories' share of the total net Public Sector Borrowing Requirement (PSBR) in the decade to 1988-89. It shows a broadly similar downward trend in the borrowing levels (relative to GDP) of both categories, though with the Private Trading Enterprises trend being somewhat more jerky and the General Government trend ending in a negative Borrowing Requirement (i.e. Budget surplus) in 1987-88.

This downward trend is all the more striking when compared to OECD trends. Chart 8 displays the path of the General Government Net Borrowing Requirement of Australia and that of the estimated average corresponding figure for OECD countries in the period 1970-89. It shows that, firstly, the two path-lines moved in significantly different directions in a number of years in the period 1970-82 but a broadly similar direction 1982-83 and, secondly, that through the whole 1970-89 period the Australian fiscal path was consistently 'tighter' than the estimated OECD 'average'.

Again, the cumulative effect of this relatively conservative approach to General Government borrowing is reflected in Australia's General Government Net Debt level compared to OECD levels. A recent table presented by EPAC shows the Australian figure decreasing from 28 per cent to 25 per cent of GDP in the period 1976-87 but the corresponding figure averaged across twenty OECD countries increasing from 20 per cent to 34 per cent. The EPAC comment deserves to be noted: 'Australia's public debt is not high by international standards' (EPAC, 1989b, p. 7, 24).

Movement in the level of General Government Borrowing Requirement (GGBR) is determined, of course, by the interaction of movement in the level of Outlays (expenditure) and Revenue. Chart 9 displays this interaction for the period 1961-88 (except that it shows Net PSBR, not Net GGBR). The chart highlights the important point that both Outlays and Revenue increased significantly over the period - from around 25 per cent of GDP to around 35 per cent. It suggests that the sharp increases in Net PSBR in the early-to-mid 1970s and early-to-mid 1980s were mostly the outcome of sharp increases in Outlays (all these movements, of course, relative to GDP). Finally, it suggests that the fall in the GGBR in the late 1980s has been the result of falling Outlays on top of rising Revenue (both, again, relative to GDP).

The General Government Net Borrowing Requirement deserves to be analysed in terms of its 'Commonwealth Government' and 'State and Local Government' component. Chart 10 shows that in the decade to 1988-89 the Borrowing Requirements of the two levels of government by no means moved in unison. Whereas the Commonwealth's Budget deficit started to slide downwards after 1983-84, the State/Local Government budget deficit continued to increase during 1982-87, with its downward slide not commencing until 1987-88.

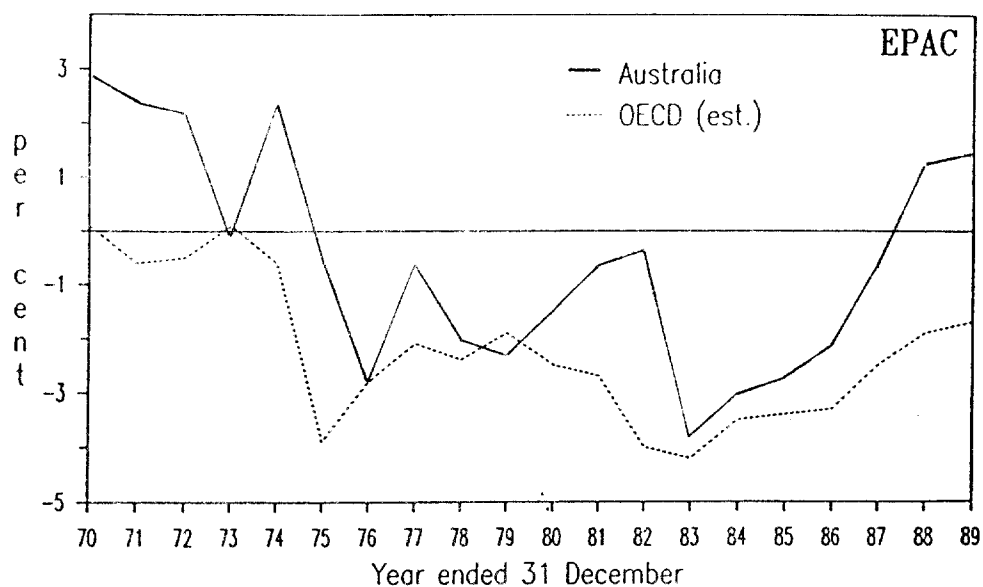
So far as the Commonwealth component of the General Government trend relative to GDP is concerned, the key question is again whether the turnaround from a large Budget deficit in 1983-84 to an historically large Budget surplus in 1988-89 was the result of changes in the level of expenditure or revenue or both. Chart 11 shows that the major factor was a fall in Outlays, with Revenue contributing in the last two years with a small fall (again, it must be emphasised, in relation to GDP; relative to the CPI, Revenue increased in this two-year period).

The observation of a private sector commentary on the trends above is apposite:

Although it is still widely argued that the Budget improvement has been largely the result of higher taxes, nearly three-quarters of the turnaround from a deficit of over 4 per cent of GDP in 1983-84 to an expected surplus of around 2 per cent of GDP in 1988-89 was attributable to expenditure restraint. (Macquarie Bank, 1989, p. 1)

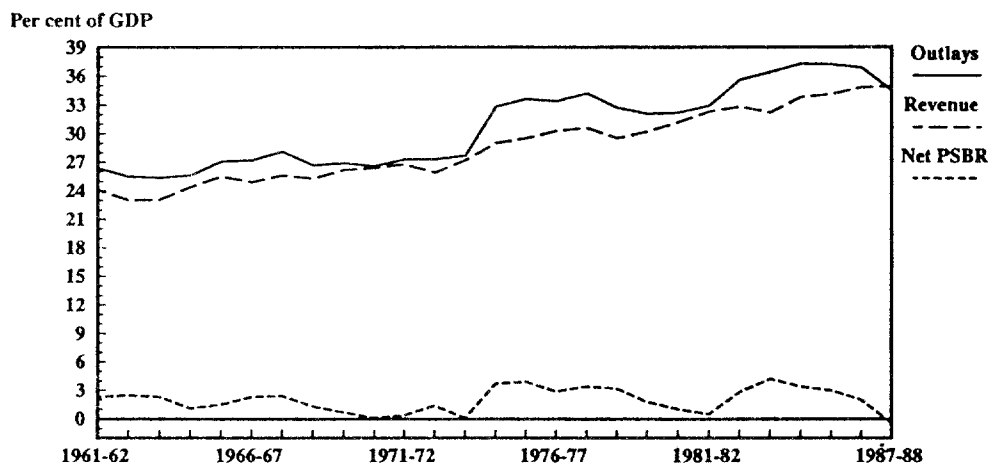
This paper will now pursue further the question of expenditure trends (but not revenue trends). So far, the movement in public expenditure and public sector finance generally has been analysed in relation to the movement in the size of the economy as a whole (as measured by GDP). It has been seen that after a long period of increase, Commonwealth outlays have been declining in relation to overall economic growth. While the relationship between the role of growth of public expenditure and the rate of growth of other sectors of the economy is of interest and even of direct practical significance for workers in particular fields of public sector services, an even more pressing practical question is whether expenditure levels are keeping pace with inflation. Chart 12 throws light on this important question for Commonwealth expenditures. It shows that in the first two years of the period of decline (relative to GDP) Commonwealth Outlays in fact increased in real terms - by about 6.5 per cent in 1984-85 and 2.3 per cent in 1985-86.

**CHART 8: GENERAL GOVERNMENT NET BORROWING REQUIREMENT
(% OF GDP)**



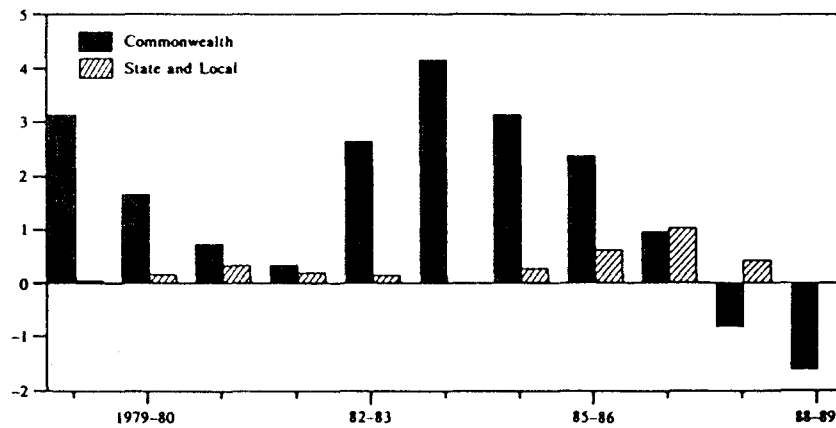
Source: Office of EPAC (1989a, p. 2). Copyright material reproduced with the permission of the Commonwealth of Australia.

**CHART 9: GENERAL GOVERNMENT SECTOR OUTLAYS, REVENUE AND NET PSBR
(% OF GDP)**



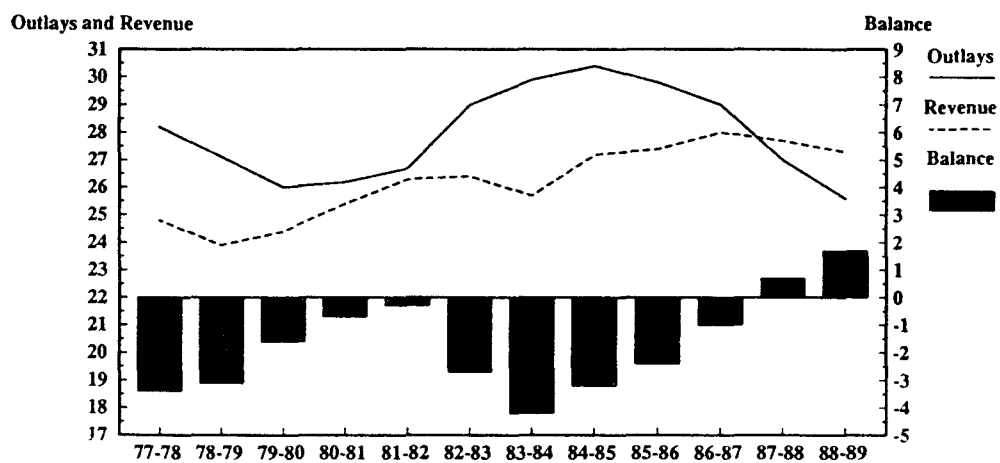
Source: Departments of Treasury and Finance (1988, p. 389). Copyright material reproduced with the permission of the Commonwealth of Australia.

**CHART 10: GENERAL GOVERNMENT NET BORROWING REQUIREMENT
(% OF GDP)**

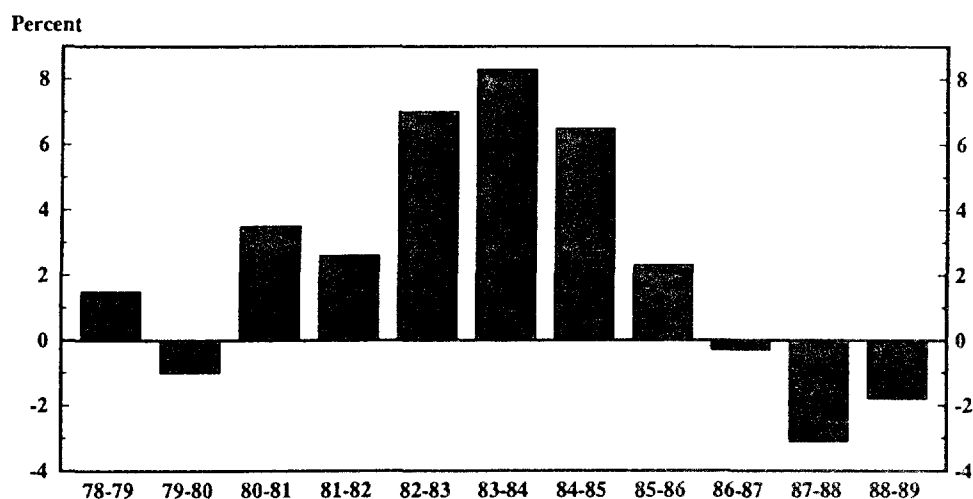


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**CHART 11: COMMONWEALTH GENERAL GOVERNMENT AGGREGATES
(% OF GDP)**



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CHART 12: COMMONWEALTH BUDGET OUTLAYS: REAL INCREASE ON PREVIOUS YEAR

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In the last three years of the period, however, the pattern has been one of real decline - 0.3 per cent in 1986-86, 3.1 per cent in 1987-88 and 1.8 per cent in 1988-89 (actually 2.2 per cent in 1988-89, after excluding asset sales). (Note that all figures for 1988-89 in this paper are Budget Estimates presented in the August 1988 Budget).

A key question for public sector service providers is whether this recent trend to real decline in expenditure will continue into the 1990s. Of relevance here is the Department of Finance's three year Forward Estimates to 1991-92, published in November 1988. According to these projections (summarised in Table 1), total Commonwealth Outlays will continue to decline significantly in relation to GDP in the three years to 1991-92 but after a slight fall in real terms in 1989-90 will experience a slight rise in real terms in the next two years.

These Forward Estimates, published annually by the Department of Finance, assume no change to existing policy commitments. The real question is whether a change in the broad economic or political environment is likely to result in changes to expenditure commitments. For most of the period since the August 1988 Budget and the November 1988 Forward Estimates, the Federal Government has maintained the relative softening of its profile on public expenditure cuts that became evident in early 1988 in the wake of by-election and broader public opinion setbacks. As is to be expected in Australian politics, the Government has continued to be attacked by business organisations and the Federal Opposition over the past nine months for placing excessive reliance on monetary policy (in particular, high interest rates) and for making insufficient effort in relation to wage restraint and expenditure cuts.

At mid 1989 there is evidence, however, that the political pressure for expenditure cuts is not as radical and intense as it was two years ago, at least at the Commonwealth level. The scale of expenditure reductions sought by the range of peak business organisations in their annual pre-Budget submissions to EPAC appears to have lessened over the past three years, as Table 2 illustrates.

The replacement of John Howard by Andrew Peacock as Leader of the Opposition is a political factor likely to reinforce this softening of stance. In recent weeks Peacock has said he would reduce Commonwealth expenditure by

TABLE 1: COMMONWEALTH OUTLAYS

	Budget Estimate 1988-89	1989-90	Forward Estimate 1990-91	1991-92
Total Outlays (\$m)	82713	85991	89888	93608
Real growth on preceding year (%)	-2.2	-0.2	1	0.6
Proportion of GDP (%)	25.8	24.9	24.3	23.7

Source: Department of Finance (1988, p. 4).

TABLE 2: COMMONWEALTH EXPENDITURE CUTS SOUGHT BY BUSINESS

Organisation	Pre Budget Submission		
	1987-88	1988-89	1989-90
Business Council of Australia	3b	2.5b	at least 1b
National Farmers Federation	10b	hold real outlays constant	3b
Australian Merchant Bankers Association	3b	1.6b	1b

Sources: Office of EPAC (1987; 1988; 1989a).

\$1 billion (seemingly in his first Budget) whereas throughout his leadership Howard conjured up much more ambitious plans, including the COPS idea of rolling back the level of public consumption expenditure relative to GDP to the level of the early 1960s.

Furthermore, even some business and independent commentators have signalled that the limits to Commonwealth expenditure reduction may have been reached, economically and politically. For example, the Macquarie Bank Newsletter, in a March 1989 article entitled **Fiscal Fatigue Sets In**, concluded that 'the use of fiscal (expenditure) policy as a discretionary tool of economic management will be much more limited' in future years, since 'the options for continuing (expenditure) restraint are limited and largely confined to further cutbacks in State grants'. (In a later comment in a 'shock-horror' press article on the May 1989 Balance of Payments, the Bank's Senior Economist said that while a further 'tightening' of expenditure was desirable, the Government did not 'have a great flexibility' (Macquarie Bank, 1989, p. 5; *The Australian*, 20 June 1989, p. 7).) Similarly, in their October 1988 Quarterly Report Abelson and Maynard of Applied Economic Associates emphasised 'the political difficulties associated with large Budget surpluses'. Both commentators argued that the burden of the necessary 'fiscal adjustment' would have to be on the revenue side (e.g. consumption tax, tax incentives for saving, user-pays, etc.).

At mid 1989, then, the political and policy outlook for expenditure levels is a mixed one. On the one hand, there are areas of almost certain growth in public sector expenditure - infrastructure and the environment being the main contenders. On the other hand, there is a likelihood of a continuing external account problem and a reluctance on the part of the Federal Government to 're-regulate' private corporate borrowing behaviour - a syndrome which will be a favourable milieu for calls for 'smaller government' from protagonists such as the Institute of Public Affairs.

The question is whether the growth of areas of public sector expenditure will be financed by cuts in existing programs or by initiatives on the revenue side. In the next two or three years the pinch will be felt most acutely by State Governments, whose political economy has not been examined in this paper (see the Evatt Centre's State Public Finance Project). Already, the evidence from the NSW Greiner Government is that the problem will not be met solely or even mainly by expenditure tightening. Rather, very tough, often socially destructive measures on the expenditure side (under the rubric of 'productivity savings') will be complemented by equally harsh and regressive measures on the revenue side (program-specific levies, a wider and higher range of user-charges, etc.).

Overall, then, it is possible, even likely, that the recent downward path of General Government expenditure relative to CPI and GDP movements will level off. But while expenditure also might conceivably rise in real price terms (because of real revenue increases) it is unlikely to rise relative to the size of the economy. In such a context, one useful strategy for the public sector social policy industry is to try to develop more benchmarks of the standard of living and more data on unmet need/demand for public sector programs. The maintenance of social expenditures in Australia has definitely been facilitated by benchmarks such as the Henderson Poverty Line and the various Family Equivalence Scales but more such benchmarks relating to income and wealth distribution and the social quality of life are required if the dominant public policy debate is to be broadened from the prevailing economic indicators such as the CPI, GDP and the CAD.

APPENDIX: TRENDS IN THE COMPOSITION OF PUBLIC SECTOR EXPENDITURE*

For practical reasons it has not been possible to include a detailed discussion of compositional trends in public expenditures in this paper. What follows is a number of Charts high-lighting some basic inter-sectoral trends. For any analysis concerning the future of the welfare state, the major point to emerge from these statistics is the growth in expenditure that has occurred over the past three decades in the major social policy fields relative to the remaining areas of public sector expenditures. So far as Commonwealth expenditures are concerned this 'favourable' trend has more or less been maintained during the last four years of relative and real decline; moreover, given current policy commitments this trends is projected to continue into the early 1990s. As with the aggregate level of expenditure, then, the actual record of the composition of expenditure over the recent past is more benign to the social expenditure constituency than many in that constituency restructuring expenditure away from the 'soft' areas of social policy towards the 'hard' areas of industry and general economic services are not evidenced by the statistics.

Chart A1 displays the broad change in the composition of public sector outlays over the two decades to 1983. It shows that the broad category 'Social Services' (encompassing 'Transfers to Persons' (Social Security), Health, Housing and Community Amenities, and Education) increased from 41.3 per cent of total Outlays in 1962-63 to 50 per cent in 1982-83. The offsetting relative decrease was in the category of 'Economic Services', the decrease being from 25.7 per cent to 18.9 per cent.

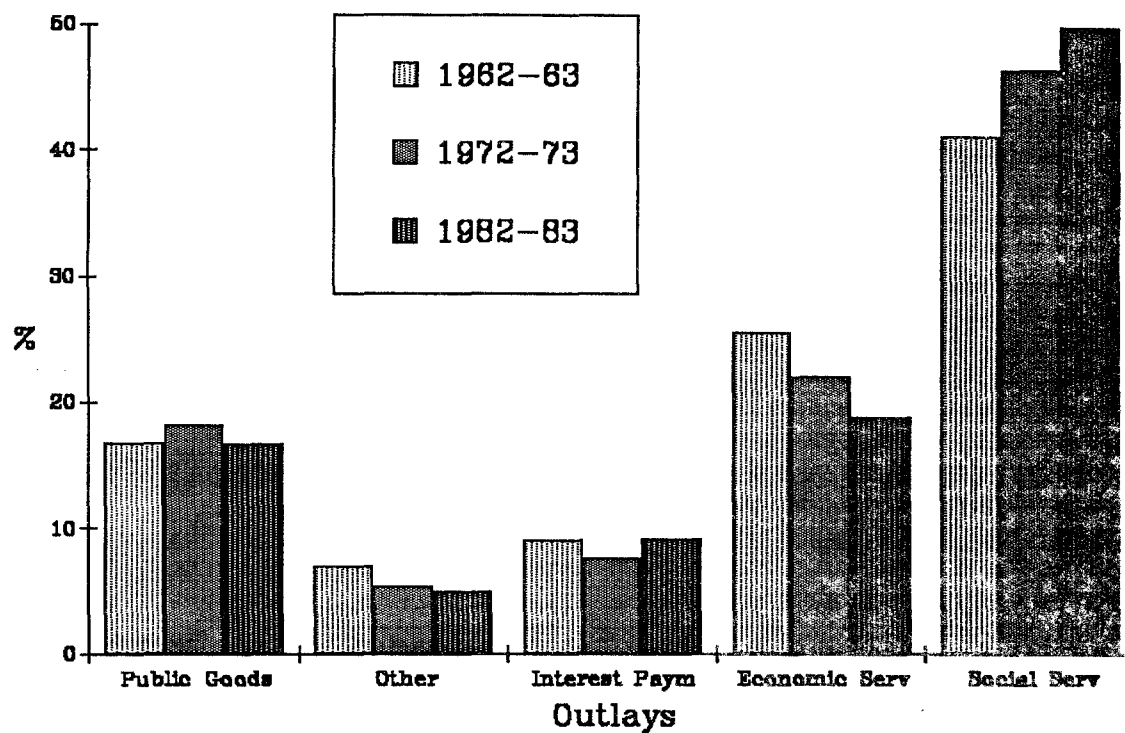
So far as the Commonwealth Government is concerned, the same four major social policy areas - Social Security, Health, Housing and Communities Amenities, and Education (plus the small expenditure area of 'Contingency Reserve') - are projected to comprise 51.8 per cent of total Outlays in 1989-90. The category of 'Economic Services', on the other hand, is projected to comprise only 5.2 per cent. (This category has always comprised a higher percentage of State Government Outlays.)

It is not possible here to comment on the factors determining the different trends in these areas. Readers seeking such an analysis should consult Department of Treasury et al. (1988), Department of Finance (1988) and Saunders (1989).

Finally, Chart A2 displays the projected movement in the real value of these areas of Commonwealth expenditure in the three years to 1991-92. Three of the five social expenditure areas are projected to increase slightly in real terms and two to decline whereas of the five non-social areas two are expected (on current policy commitments) to grow slightly and three to decline.

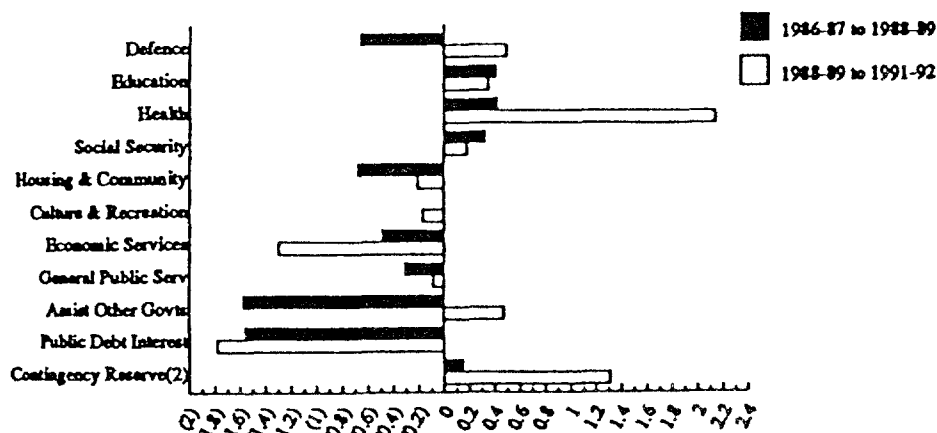
* Editor's note: This is an abridged version of the Appendix. Included in the full Appendix, which is available from the author, is a series of charts showing the percentage change on the previous year of the real value of various areas of Commonwealth expenditure during the decade to 1988-89 (i.e. the percentage change after adjustment for inflation).

CHART A1: PUBLIC SECTOR OUTLAYS: FUNCTIONAL SPLIT



Source: Office of EPAC (1985, p. 17).

CHART A2: COMMONWEALTH OUTLAYS BY AREA: PROJECTED MOVEMENTS IN REAL VALUE 1988-1992



(1) Percentage contribution to real growth. From 1986-87 to 1988-89 total real outlays (excluding asset sales) declined by 4.0%; from 1988-89 to 1991-92 they are projected to grow by 1.4%.

(2) These outlays will be allocated to other functions in future years.

Source: Department of Finance (1988, p. 11). Copyright material reproduced with the permission of the Commonwealth of Australia.

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**THE ROYAL COMMISSION ON SOCIAL POLICY (NEW ZEALAND) AND THE SOCIAL SECURITY
REVIEW (AUSTRALIA) - A COMPARISON OF THEIR REPORTS AND RECOMMENDATIONS,
PARTICULARLY IN TERMS OF THEIR IMPLICATIONS FOR WOMEN**

Prue Hyman
Economics Department
Victoria University of Wellington

1. INTRODUCTION - ECONOMIC CLIMATE AND CONTEXT

This paper discusses the two reviews of social policy in the context of prevailing economic and social situations and policy climates, which are comparatively similar in the two countries. After setting the scene, the terms of reference are outlined and general philosophies of the review teams discussed, with the New Zealand final report given particular attention. The areas selected for discussion are approaches to income maintenance, eligibility for and levels of pensions/benefits and means of support for families with children, with support for solo parents touched on briefly. Concentrating on New Zealand, the approach and recommendations are contrasted with current and likely future policies. With government determination to continue its rush to a more market economy with lower tax rates and a decreasing state role in everything from service provision to labour relations, most of the Royal Commission's work is becoming just interesting social history.

New Zealand has moved further and faster towards deregulation and tax 'reform' than Australia. Elimination of protection to farmers and manufacturers, corporatisation and privatisation of state enterprise, dismantling of regulations of all types, from the finance to the transport sector, from tariffs to compulsory arbitration, has proceeded apace. An across-the-board expenditure tax overcame its opponents more easily than in Australia while income and company tax rates have fallen further. Goods and services tax (GST) has been raised from 10 per cent to 12.5 per cent from 1 July 1989 and its introduction increased the share of indirect tax from 22.5 per cent to 33.2 per cent of government income between 1985/86 and 1987/88 (Snively, 1988, p. 15). The flat tax proposal was beaten back, but a company rate of 28 per cent and a top income tax rate of 33 per cent are very low by international standards. Property rights, principal agent problems, incentives and accountability, middle class and government capture and contestability have become household (and much abused) terms. The small population, the single chamber and non Federal nature of Government, the depth of economic crisis in 1984 and the excellent preparation of Roger Douglas and Treasury in their 'takeover' of policy directions are no doubt factors of importance in accounting for a Labour Government in New Zealand moving further and faster than almost any other country. So far, the Government has survived despite the pain. The attribution of relative weights to these and other factors is not attempted here; that is left to historians who will also have the chance to see whether Labour can make a miraculous recovery from current polls to win the 1990 election.

These policies have been remarkably successful in some directions. As in Australia, the internal deficit and rate of inflation have fallen far and fast, with the New Zealand annual inflation rate at 4.7 per cent compared to the Australian level of 6.8 per cent - but note the GST increase to come and undoubtedly be taken notice of in the next wage round, despite politicians' attempts to say it should be excluded from **true** or **underlying** inflation. However, New Zealand's unemployment rate is now above Australia's, and New Zealand has not experienced Australia's job creation over the last few years. Money and real interest rates remain very high (Australia's has just now caught up) and non-interventionist policies ensure, in association with these rates, an overvalued New Zealand dollar. The resulting lack of competitiveness overseas and recession at home makes business confidence, investment and growth and jobs. Disposable real incomes have fallen on average for lower income groups through the 1980s (St John, 1989). Inevitably unemployment, widening differentials and government expenditure reductions hit particularly ethnic minorities, women and lower socio economic groups. With the 1990 'celebrations' of the 150th anniversary of the signing of the Treaty of Waitangi approaching, demands for Maori sovereignty are hardly surprising when they score bottom on every social indicator. (Maori female teenage unemployment was 43% at the 1986 Census - fortunately for Government no reliable intercensal figures are available by ethnic group and age.)

In this climate, social policy has perhaps inevitably been subsidiary to economic considerations, with an appeal to benefits for all and 'trickle down' when the efficiency gains of economic pain are realised. Appointing a Royal

Commission was doubtless designed to put on one side some of the problems, with its October 1986/September 1988 deliberations period (brought forward by the Commission itself to April 1988 since it believed it was being pre-empted by policy decisions) spanning the 1987 re-election of the Labour Government.

2. TERMS OF REFERENCE AND GENERAL PHILOSOPHIES

The terms of references of the (New Zealand) Royal Commission on Social Policy were considerably broader than that of the Australian Social Security Review. They were instructed to

inquire into the extent to which existing instruments of policy meet the needs of New Zealanders, and report on what fundamental or significant reformation or changes are necessary or desirable in existing policies, administration, institutions or systems to secure a more fair, humanitarian, consistent, efficient and economical social policy which will meet the changed and changing needs of this country and achieve a more just society. (RCSP, 1988, p. v)

Thus interpretation was required from first principles of the concepts of fairness, justice, equity and equality, with the relative roles of the state, communities, households and individuals discussed de novo. The scope of the inquiry was thus not confined to the social security system alone, covering also the place of the health, education, housing, justice and transport systems and policies, inter alia, in helping to secure a fair society.

By contrast the Social Security Review was focused specifically on income support for families with children, social security and workforce issues, and income support for the aged. Its somewhat longer time span (from the announcement by the Minister of Social Security in December 1985 following two workshops aimed at identifying the major issues through to papers coming out very recently), its more specific focus and its more organised research and publication program are among factors contributing to its greater coherence. Whether its personnel, place in the system, greater coherence and less scope makes it more acceptable to government and results in its recommendations being implemented to a greater extent than the New Zealand report cannot yet fully be determined.

The Royal Commission initially had five members, spanning various communities and interest groups, with its senior economics and statistics adviser, Len Cook, Deputy Government Statistician, later made a full Commissioner. This addition yielded equal numbers of men and women, with five Pakehas and one Maori, Mason Durie, a psychiatrist. The Chairman was Sir Ivor Richardson, a High Court Judge, with the remaining members Rosslyn Noonan, a trade unionist and city councillor, Ann Ballin, a psychologist with physical disabilities and Marion Burce, chair of the Hospital Board.

Its method of work was highly consultative, with wide publicity calling for input, meetings for oral submissions throughout the country, including hui on marae, freephone facilities, and its terms of reference and parts of its newsletters published in Maori and some Pacific Island languages. Unlike the Review, its major reports were published virtually together at the end of the process (the Income Maintenance volume was advanced a few weeks becomes of various government announcements on tax/benefit policies, some of which were contrary to Commission thinking). Newsletters, five brief discussion booklets and a number of commissioned occasional papers were published earlier to stimulate responses. Consultation on the Review was arranged rather differently, with input reacting to the more developed issues papers contributing to thinking for the Final Report.

The Royal Commission discussion booklets covered the terms of reference, the Treaty of Waitangi, means of provision of social services (public, private and voluntary), the nature, role and value of work and wealth and income. A sixth planned booklet on fairness, equality and efficiency never appeared, perhaps being put in the 'too hard' basket. Whether there are of necessity efficiency/equity tradeoffs in the short or medium term is related to the 'trickle down' issue mentioned above. An alternative view is that policies based on equity objectives, like others, should be delivered as efficiently as possible.

While the research input to the Royal Commission was impressive, through the secretariat and consultants, and access to much of it has been arranged, there is less **published** statistical backup to the analysis than is the case with the Review, with the large number of Issues and Discussion Papers for the latter. This can again contribute to the neglect

of the Royal Commission, with five simultaneous large volumes and a summary, but no succinct set of recommendations.

As mentioned earlier, the economic, demographic and social climate for the two reviews was fairly similar. The major changes since 1984 highlighted in the Australian rationale for the review were as follows: rapid increases in the rate and duration of unemployment and its distribution, changes in family composition (with increased numbers of solo parent families), an increase in numbers and composition of those in poverty, recognition of the impact of demographic change including an ageing population and changes in the public/private mix of retirement income. All are paralleled in New Zealand, although the growth of occupational superannuation is slower and there has not been any equivalent of the Accord - although it is currently under discussion. Also similar are the major underlying principles of what are social security, rather than social assistance systems. These principles include a categorical approach to entitlement, payments as of right with income tests (some variation between the two countries will be noted later), allowances for children and an intention, not fully realised, that the tax/benefit system should not provide disincentives to labour force participation, earnings and savings (Cass, 1986a).

Concentrating on the income maintenance area, much of the major philosophy and tension between possibly conflicting objectives is also common to the two reviews. This is perhaps not surprising given the similarities outlined above. However, the tone of the Australian Review seems somewhat more immediately aware of the fiscal constraints which are part of the climate in both countries. While the NZRCSP claims and shows some attention to fiscal responsibility, this difference is not surprising given their terms of reference and membership. Before discussing specifics, some attention will be given to the general approach of the Royal Commission and one area of New Zealand policy concern which has no complete parallel in Australia, the Treaty of Waitangi.

The Commission saw their task as having two foci; development of a coherent approach to identifying the goals, values and principles underlying New Zealand society present and future (**Standards and Foundations**) and recognition of the basic nature of the Maori dimension and its implications for social policy (**Treaty of Waitangi: Dimensions for Social Policy**). The Royal Commission recognised that the Treaty had implications for all aspects of their enquiry and government policy and is central to an understanding of New Zealand society. They recommended its full constitutional recognition, as a background to active policies to redress justified grievances, for example over land, forestry and fishing issues, and rectify inequalities and reduce disparities in all economic and social indicators. True partnership, protection and participation would also require a new approach to Maori autonomy and self determination with proper recognition of tribal structures and authority. While the concerns of the Aboriginal people, as the indigenous *tangatewhenua* of Australia, are similar to that of Maori, the lower proportion and different history appeared to make questions of justice and policy a less central government priority even in the bicentennial year than in the case in New Zealand.

In the standards and foundations area, the Royal Commission endorsed four conclusions from a commissioned Background Paper by Barrett (RCSP, 1988, p. 7 shortened).

- 1) All participants in current debates appear to accept that advances made in individual and collective well-being in this century have been due to the recognition that the responsibility for basic needs in modern industrial societies must be collective rather than an individual matter.
- 2) Social policy, embracing interventions concerned with promotion of the well-being of the individual and of society as a whole, gives rise to rights which every New Zealander can claim.
- 3) Well-being is concerned not so much with the treatment of problems or problem people as with identifying their causes in institutions and social structures, and with attacking the problems at their presumed sources.
- 4) A rights based approach to social policy recognises that there are claims all human beings ought to be able to make. It follows that taxing all members of the community to finance this entitlement to the basic requirements for well-being cannot be considered coercion. It is simply the requirement to meet an obligations that all have by virtue of being members of the community.

The author pointed out that the agreement asserted to exist in the first point may be somewhat illusory. Minimalist view supporters of social welfare will see the group responsibility advocated there only in terms of a safety net for the

'deserving disadvantaged' unable to support themselves via market and family support. Others will locate disadvantage in a life cycle and structural setting and thus support the other three principles.

Endorsement of these four principles places the Royal Commission well towards the maximalist end of the spectrum of views on the role of the state, in contrast to Treasury and some other Government advisors. Government Management states that

... it seems likely that an appropriate role for the state in many areas is to define a clear set of rights for people and to permit individuals to voluntarily transact between one another in order to pursue their own well-being. (Treasury, 1987, p. 124)

This conclusion was based on individuals being best judges of their own self interest, variation in needs and valuations and inability of agencies to predict outcomes. Admittedly, it is softened by references to inequalities of opportunity and outcome, a lack of equity in initial allocations and in processes. However, the overall tone of the Treasury argument is of the minimalist, or at most instrumentalist, tradition.

The Commission published a paper (Morris and Batten, 1988) summarising a variety of standard views of the role of the state, followed by a number of critiques, with Waring's the most trenchant. She points out that all the standard models are those of Northern Hemisphere men, ignoring sexism, racism and ageism, New Zealand conditions and power considerations.

When Nozick argues that the only legitimate forced extraction of income from citizens through taxation is for protective purposes, he did not have in mind protection from hunger or homelessness, nor did he have in mind making sexual harassment a criminal offence or introducing compulsory self defence classes for girls throughout secondary schools ... it is clear that this model of the state is a description of liberties available for individual men inside the patriarchal power process. (Waring, 1988a, pp. 6-7)

This analysis can be applied equally to criticise the Treasury position. Instead Waring's conceptions of the state involves right to services and 'survival rights', individual entitlements and a respect for differences - 'the role of the state is to mirror every fragment' (Waring, 1988a, p. 29). It is as well to remember that even the maximal state, in which the good of all is meant to transcend the interests of the individual, may not be sex or race blind, but can be as patriarchal as conceptions where the state role is less.

What position on fairness or equity follows from the Royal Commission's endorsement of these rights-based principles? They argue that a fair and just society

is one which allows people to have a voice in their future, choice in their lives and a sense of belonging that affirms their dignity and identity. (RCSP, 1988, p.12)

Giving specificity to the aim of the maintenance for all of a standard of living sufficient for participation and belonging is more difficult. They argue, as discussed later, for no erosion of benefit levels, but on the degree of income redistribution and equality which is desirable they are less clear.

The distribution of the wealth and resources of the nation must be fair. It need not be equal so long as the inequalities are such as can be justified in a fair society. (RCSP, 1988, p. 14)

Equity is defined as

... the distribution of resources in accordance with prevailing conceptions of fairness and social justice. (my emphasis) (RCSP, 1988, p. 792)

In practice this means falling back on to government assessment, which politicians can, dubiously, claim to be justified through the political process. However, the Commission does point out the high degree of support for most income maintenance policies revealed by their survey.

What of their discussion of justice? Again Barrett's paper, which takes account of how women's position and concerns may differ from men's, is a good starting point. Justice is defined as to each according their due - but due can be assessed in accordance with rights, deserts or needs. Deserts, if regarded as a reward for skill and effort, will be seen by free market advocates as best determined by competition. However Barrett points out that rewards are only partly due to personal qualities and effort. The results obtained by individual men are dependent also on external circumstances, the efforts of others in an interdependent modern economy and the contribution of the largely unrecognised and unrewarded domestic labour, usually of a spouse. Rewards according only to exchange value omit all domestic and voluntary work. In addition she points out that

... a realistic view of modern society suggests that what in fact determines success in a competitive market is less likely to be due to those features of a person which have some claim to be morally significant, including ability or effort, but rather initial social status, race, gender or sheer luck. (Barrett, 1988, p. 53)

The Commission itself clearly recognises power differences and structural inequalities in the community, with Maoris and women particularly disadvantaged.

The selfish motives, which are both assumed and rewarded in economic theory and models and are argued in perfectly competitive, over simple formulations to lead to desirable outcomes, are not usually regarded as morally praiseworthy. A possible exception is self reliance. Inevitably the balance between self reliance, family and whanau, community and iwi interdependence and voluntary organisation and state responsibility, is a matter of degree.

The submission of the New Zealand Women's Studies Association to the Royal Commission is highly pertinent in these areas, pointing out that the free market economic model is not only individualist, neglecting interdependence and community effort, but is also relevant only to the traditional male career life cycle. It ignores the negative externalities and costs of the male monocultural model and the differences in resources and power that are integral to the system.

In addition the concentration on growth in some measure of national income, such as GDP, or even GDP per person, as the ultimate objective of policy is also open to considerable question, when it omits unpaid voluntary, household and caring work, and includes the military machine, the creation of pollution and means of reducing it and other 'bads' among the 'goods' (for a thorough critique, see Waring, 1988b). These points are taken on board by the Royal Commission (RCSP, 1988, pp. 284-309).

Four main features of modern society are identified by the Commission as elements which should govern social policy for the next decade. These are the importance of race relations, especially the position of the Maori, and of the role of women, the importance of paid and unpaid work, the need for effective individual and community participation in decision making and the links between economic and social policy. The first has been touched on above, while brief comments on the other areas follow.

The Royal Commission section on women and social policy analyses the causes of their lesser access to social well-being than men and considers the implications for policy. The five main (and overlapping) groups of issues relating to women raised in submissions to the Commission were lack of recognition for unpaid work, lack of financial independence, the high cost of caring work, the difficulty of combining paid and unpaid work and a sense of powerlessness and lack of choice in women's lives (RCSP, 1988, p. 192). As they point out, this is hardly new. Women are responsible for more of the caring work, are more dependent on benefit income than men and, with the feminisation of poverty, are more likely to be on low incomes, particularly as solo parents. Many partnered women also report a lack of regular spending money, so the distribution of income and economic decision making within households is another matter needing attention.

The Commission recognises the constraints on women imposed by the lack of integration of waged and unwaged work and their heavy caring role. It stresses the need for more equal sharing of these responsibilities, the need for women's full participation in decision making and for continuing state involvement.

The labour market is seen as central to social policy, with full employment as an essential major goal of government, work as a key to well-being and the decision of whether to work in the paid workforce or outside it or combine both as a choice which should be available to all. Thus they argue

... that to achieve a fairer society the primary instrument must be economic and social policies designed to provide wide employment opportunities. (RCSP, 1988, p. 415)

Recognising that waged and unwaged work depend on each other, they call for adequate measurement of unpaid work, payment for some work currently unpaid (a carers' allowance) and state assumption of responsibility for ensuring the labour market operates to allow combination of the two types of work, in an environment free of discrimination and where individual potential can be developed.

In the search for full employment, the Royal Commission sees active labour market policies as having a key role. Improved job information and placement services, job creation policies, training and mobility assistance are recommended, despite recognition of possible problems of job displacement or substitution rather than genuine creation, the permanence and productive value of subsidised jobs and the fiscal cost. A commitment to full employment is seen as crucial, avoiding use of unemployment as a policy weapon. They recommend a social contract whereby wage bargaining occurs in a structure permitting affordable settlements.

Boundaries between economic and social policy are blurred and interactions are inevitable. However, the Royal Commission reports a wide perception that under the current Government, economic policy has pre-empted social policy concerns. They believe that the distribution of national income and ways of increasing its level and growth rate must be considered together in planning policies. Their preferred option policy making is a co-ordinated approach, with the interactions fully considered and the relative costs and benefits of different policy options allowed for in a full economic/social framework which considers the way in which the final outcome is reached, as well as its nature.

3. INCOME MAINTENANCE ISSUES - GENERAL APPROACH AND CONCERNS OF WOMEN

The general approach of the Royal Commission is that collective responsibility implies government intervention through the tax/transfer system to ensure adequate income support for those groups unable to be part of the labour force or to find work within it. Their emphasis on the importance of paid employment implies a stress on income maintenance and taxation policies facilitating rather than impeding the functioning of the labour market and aiding the transition to paid employment for those of workforce age. The approach of the Social Security Review is very similar, seeing the key role of income maintenance as redistribution to the poorest households and at vulnerable periods of the life cycle, while avoiding the creation of disincentives to participation in the labour force, earning income or saving for retirement.

The three specific objectives of income redistribution policies are spelt out by the Royal Commission as provision of the opportunity of full participation for all, the alleviation of urgent need, and the well-being of children. These objectives are seen as requiring tax/income maintenance policies and income redistribution which involve more than simply a safety net attitude to payment of benefits. While individual and group aspirations and responsibility are recognised (in the latter area particularly in the Maori community), equity objectives are seen to require strong state leadership with continued funding and provision of services in key areas. This contrasts sharply with the current Government philosophy of emphasising individual choice and responsibility, a reduction of the role of the state and the primacy of economic policy, market solutions and incentives.

Specific policies are seen to require the following principles - community responsibility, individual responsibility, dignity, equality of treatment, progressivity, cultural diversity, fiscal responsibility, flexibility and transparency, with equity, efficiency and simplicity guiding the whole system. The problem with this, as the report recognises, is that these principles may often be in conflict. An example is where fiscal considerations are argued to require tight targeting of benefits. The consequent abatement of benefits as income increases, combined with taxation and other costs of paid work, including transport and child care, mean that there will be little or no financial advantage from moving into the paid workforce or increasing hours, particularly for women. Thus the incentive to achieve financial independence is removed and individual and fiscal responsibility are in conflict.

Some proposals of the Royal Commission in the income maintenance area are potentially of great significance to women, acknowledging the social changes which make the assumptions and realities of financial dependence on a partner increasingly inappropriate and recognising the importance of caring work. The individual is the unit for assessment of personal income tax, but most parts of the social security system other than national superannuation

assume adult financial dependency in de facto and marital relationships and in many situations pay all of the household's entitlement to the husband. Eligibility for unemployment, sickness and disability benefits is based on the individual qualifying in the relevant category, but the rate of benefit paid (if any) is based on the couple income. This system is founded on the nuclear family, with a sole male full time earner, and means that the income available to a two earner household will decline sharply if either lose their job. It may be even more inappropriate in many Maori living situations than for Pakehas. The Royal Commission recommended that the basis for benefit entitlement should move in the direction of individual entitlement in two adult families, with sole caregivers continuing to be eligible for support on the needs of the family as a whole.

Recognising the sharp increase in expenditure which would arise if this change was introduced immediately, proposals were made for interim steps, with the invalids' benefit being the first for its introduction. Also suggested was exploration of an income test applied to individual earnings plus half of any income derived from assets of the couple, whether in one or both names. Another possibility raised was allowing individual benefit for a limited period, such as thirteen weeks, to tide over the immediate financial problem of losing one income.

The Australian Social Security Review discussion of the unit of assessment and methods of payment of unemployment benefit for married couples canvassed a number of options. It rejected individual entitlement as too expensive, but suggested ways of avoiding the assumption of spousal dependence and lack of incentive for the (usually female) spouse of an unemployment beneficiary to be in paid work. In 1986 women with unemployed husbands had an unemployment rate of 51 per cent, as against 5.5 per cent for all wives, while the participation rate of this group of women was 31 per cent compared with 48 per cent for all married women (Cass, 1988a, p. 231). The deterrent arises from high replacement ratios and effective marginal tax rates resulting from stringent joint income tests with low free areas and rapid abatement, and from the low incomes which most women in this situation would earn in the labour force. The income test on unemployment and other benefits in Australia allows a free area of only \$60 per fortnight for married couples, as for single people, with no addition for dependents, whereas pensions (including that paid to sole parents) allow a free area of \$80 per fortnight for single people and \$140 for married couples, in each case plus \$24 per child. Abatement is at a 50 per cent rate for income above the free area in the case of pensions, and at 50 per cent for the next \$80 per fortnight but at 100 per cent about this level for beneficiaries.

The Review suggested a number of means of ameliorating the disincentives and lack of financial benefit from paid work for spouses of beneficiaries. These included extending the more generous free area provisions for pensions to apply to benefits, and granting additional flexibility for casual work by allowing the accumulation of credit for unused fortnightly free areas. Pension recipients can accumulate up to \$1,000 in this way (\$1,000 each for married couples). In addition it was suggested that sharing the payment of benefits equally to each partner, either automatically, as in New Zealand and for pensions in Australia, or optionally, could improve intra family income distribution. Currently, this option is only available to couples where both partners are unemployed and prepared to be worktested and even then, very few eligible couples take it up (Cass, 1988a, p. 236). For this group there could be positive encouragement to apply in their own right by increasing the range of income for which the 50 per cent, rather than 100 per cent, abatement applied. This would increase the incentive for both partners to seek work, and together with encouragement of registration with the Employment Service and more adequate provision of training, reduce the perceived distinction between primary and secondary breadwinners. These recommendations were well received as far as women's groups making submissions on the Issues Paper were concerned: a strong theme was the need to remove disincentives for women to enter the workforce (Commonwealth of Australia, 1988, p. 237).

Abatement of benefits in New Zealand is more generous than in Australia and closer to the latter's pension structure. The free area is \$50 per week (\$60 with dependent children), with abatement at 30 per cent beyond the free area up to \$80 per week and at 70 per cent thereafter. Correspondingly, the income level where the benefit cuts out altogether is higher in New Zealand: for married couples, with no children, on the unemployment benefit this occurs at \$369 per week (using 1 April 1989 rate of maximum payment of \$248 per week), compared with \$257 in Australia (at 1 December 1988 rate of payment \$207 per week).

Nevertheless in New Zealand too, lack of gain from work and consequent disincentives to spouses of unemployment benefit and/or family support is combined with child care and other work related costs and in some cases loss of accommodation benefit, there may be little or no financial advantage from entering the workforce or increasing hours. In some cases only a jump from a very few hours paid work producing income around the free area to a reasonably well paid full time job is financially viable - and this may not be a realistic option. The Royal Commission's suggestions in this area were a division into short term benefits, sickness and unemployment, and long term benefits,

domestic purposes, invalids and widows, with separate abatement regimes. These would be less restrictive and assessed over a longer time period in the case of the long term benefits, mainly to enable those mainly reliant on benefits for a long period to increase their standard of living with a modest increase in the paid labour force participation rather than gain full time work.

4. ELIGIBILITY FOR PENSIONS AND BENEFITS

The Australia and New Zealand social security systems both incorporate a categorical approach to entitlement for payments, with categories established on the basis of need, related to inability to participate fully in the paid labour force due to family circumstances or other factors. Support for families with children is available also to those in full time work, recognising the work involved and its value, and the extra cost incurred, and making a state contribution towards them. In New Zealand there is still a small universal payment plus assistance to lower income families, whereas in Australia the universal payment was abolished in 1987 with the introduction of the family assistance scheme, but the targeting is not severe. The Australian system makes a distinction between benefits, primarily unemployment and sickness, and pensions, primary sole parent and invalid, with the single rate lower for beneficiaries than pensioners and the abatement procedures more stringent. Historically, the distinction is based on likely short versus long stay on benefit, so that work tests are applicable to benefits, as against the impairment tests for invalidity pension. Similar distinctions apply in New Zealand, although the benefit/pension division is not made. Instead, the four categories of benefit are distinct, again with the single rate of unemployment benefit, and also the married couple rate without children, below the corresponding rates for other benefits.

Neither review of policy suggested altering the categorical approach, although both suggested changes to the work tests, abatement of procedures and other distinctions between benefits, including raising the single rate of unemployment benefit to equality with other categories. The Director of the Social Security Review, Bettina Cass, discussed the possibility of movement in two opposing directions, towards the basic income approach or the workfare, contract for payment approach (Cass, 1988b). She argued that the advantages of a basic income scheme, which guarantees an income to all citizens, clawed back through the tax system for those on higher incomes, include simplicity, adequacy, including augmentation of low earnings, and removal of the conception of the deserving and undeserving poor. However, apart from the potentially very high cost, the scheme might entrench a section of the population into an underclass without the linkages between income support arrangements and labour market programs which a well designed categorical system should promote. Such a scheme should use the categories, Cass (1988b, p. 23) argues as signals to indicate and provide the various purpose built types of programs which will promote independence for each group and higher employment levels, along the lines of Swedish labour market organisation, but should also be designed to incorporate the best features of the basic income approach.

Thus the Review recommended closer integration of income support and labour market programs, recognising for example differing needs between those employed for short or long periods and expanding work tests to activity tests which include training (for details see Cass, 1988a, Chapter 16). The Royal Commission's approach is similar but less detailed. Cass rejects the workfare approach on the grounds of the value of caring work, with parents of very young children required to participate, the emphasis on individual rather than state and general responsibility for employment provision and its low wage structure.

Paradoxically, the Royal Commission recommended grouping benefits into short-term (sickness and unemployment) and long-term (domestic purposes, invalids and widows) benefits, while Cass questions the validity of the corresponding current distinction between benefits and pensions. The Commission's main rationale was the argument for less restrictive abatement of long term benefits mentioned earlier. In practice, New Zealand is likely to move to a generic benefit system favoured by the Minister of Social Welfare. Uniformity in terms of provisions such as residency requirement, standdown periods and income levels has considerable appeal. The greater stigma which may attach to some types of benefit might be reduced. However, variations in whether and when workforce participation can be expected are justified for different groups, such as solo parents, those on invalid benefits and young and older unemployed, with the consequent need for different work or useful activity tests, and different types of assistance towards rejoining the labour market. Hence a nominally uniform system must, to be fair and efficient, allow for these differences.

5. LEVELS OF PENSION AND BENEFIT

The requirement that all New Zealanders should belong and participate in society, which was basic to the terms of reference of the Royal Commission, implies defining poverty and benefit levels in relative rather than absolute terms. It is not sufficient that minimum needs, for example for shelter and food are met, but rather everyone, including low wage earners and beneficiaries, should share in rising living standards, and by extension share losses if real income is falling.

The Royal Commission was firm in its view that the current level of base benefits relative to other incomes should not be eroded. At present the married benefit rate is about half the level of average weekly earnings. They discussed the arguments that benefit rates might be too high relative to wages (i.e. that 'replacement ratios', the ratio of after tax benefit to after tax earnings, are too large to provide an incentive for beneficiaries to seek paid work) and rejected them.

We are committed to the objective of preventing poverty, and providing sufficient resources to allow all people the opportunity to develop their potential and find some fulfilment in life. If anything we are concerned that the benefit system frequently does not allow this. (RCSP, 1988, p. 476)

Treasury research indicates that only about 5 per cent of the workforce would have a replacement ratio above 70 per cent, so that overlap between household incomes when on wages rather than benefit is rare. Deliberate choice of the benefit option because of this is even rarer, although a subject for strident headlines. The Royal Commission thus argued that reducing benefits because of this issue would be misguided. Of the two incentive issues relating benefits to workforce rewards, the high effective marginal rates arising from abatement of targeted benefits is a far more serious deterrent and problem than the absolute levels of benefit relevant to wages. The efficiency and incentive arguments for flattening tax rates are considerably reduced in force when the literature on income elasticities is reviewed sceptically. Only for women secondary income earners are the effects clear, and it is for this group that effective marginal tax rates are particularly high, despite the flatter tax regime, in each country. When abatement of benefits and/or family assistance are compounded with taxation and child care costs, rates of close to 100 per cent can be found, particularly in Australia which abates its benefits faster than New Zealand.

Nevertheless the proposal for the augmented Guaranteed Minimum Family Income, announced in December 1987 and cancelled in February 1988, was based on the supposed need for a substantial gap between benefit income of a household and the disposable income available if there was at least one full time member of the workforce and argument on the issues continues. The current GMFI is at the comparatively low level of \$270 per week, including family assistance, for couples or solo parents with one child, plus \$22 for each subsequent child. It is aimed at full time low earners, with couples whose combined work force participation is 30 hours per week or more and solo parents with a minimum of 20 hours. Take up is low.

All benefit and pension levels, relative to average earnings, are higher in New Zealand than Australia (for the absolute levels for married couples on unemployed benefit, see above), although the Royal Commission suggests from comparisons with other OECD countries that this may be due to Australian rates being relatively low, rather than New Zealand ones high. For example, in 1987, the pre-tax married couple basic benefit rate was 51.9 per cent of average weekly earnings, as against 46.4 per cent in Australia (Stephens, 1987, p. 18). This inter-country comparison widens when post-tax relativities are used, since the New Zealand tax rate on average earnings was 23.5 per cent in 1987, against 19.7 per cent in Australia. The resulting post tax benefit/earnings relativities are 67.8 per cent in New Zealand (71.2% allowing for the post GST benefit adjustment) and 57.5 per cent in Australia (Stephens, p. 19-20). It should be noted that while benefits in both countries are taxable, in New Zealand there is no tax free allowance, whereas in Australia those with benefit income only will in fact pay no tax.

The picture would be altered slightly by current tax rates and benefit levels, with New Zealand's rates considerably less progressive, but its benefit lead would still be maintained. New Zealand's marginal tax rates are lower for top incomes, with a 33 per cent maximum from \$30,875 against 47 per cent from \$35,000 and 39 per cent for the next level down. However the lack of a tax free allowance and lesser provision of rebates and deductions in New Zealand closes the gap with regard to average rates. New Zealand has the higher marginal rate on low incomes (24% to \$30,875) up to the cut in of the Australian 29 per cent rate at \$17,650. For those eligible for New Zealand's low

income earner rebate which gives an effective marginal rate of 15 per cent up to \$9,500, Australia's marginal rate is higher over the \$5,100 to \$9,150 range.

Discussion of the definition, extent and distribution of poverty between household types in the two countries is beyond the scope of this paper (together with detailed demographic analysis, and delineation of the number and costs of benefits, most of which can be found in the two reviews), but one point which follows partly from the relative benefit picture should be made. The incidence of poverty and extent of the poverty gap is greater in Australia than New Zealand, although this may be partly mitigated by the April 1989 Australia Budget changes to be discussed below. Also, in both countries the proportion of those in poverty who are solo parents and low income families and their children has risen, as has the proportion of those groups who are in poverty, with some reduction of poverty among the elderly (see Stephens, 1987, p. 24-37).

Returning to benefit levels, in each country the single rate is currently set at 60 per cent of the married rate, although it has been suggested by the Royal Commission that the system should be changed to an individual rate with 20 per cent extra for those living alone, lower costs from sharing a home rather than marital status being the justification for any differential. This recommendation is supported by the Minister of Social Welfare and is likely to be implemented. The Commission also recommended New Zealand study of the necessary loading, suspecting from overseas studies that 20 per cent (equivalent to the current situation) may be insufficient to meet the extra costs.

The indexing system for benefits (superannuation will be discussed later) has been changed in New Zealand from 1 April 1989 in a manner which will for the foreseeable future be cost saving. The Royal Commission proposed that indexation be changed from a price basis to an after tax wage basis, in line with their views on sharing of living standards, but a mixed system has been adopted. Adjustment by the consumer price index had led to the benefit becoming an increasing proportion of average earnings, due to falling real incomes. Between 1975 and 1986 the married couple basic benefit had risen from 65 per cent of the net average ordinary time weekly wage to 77.5 per cent. The new system constrains that ratio to within a floor of 65 per cent and a ceiling of 72.5 per cent, with price adjustment within these limits. The ceiling was effective in April, so that the married couple benefit was increased by about \$6 per week, or 2.4 per cent, rather than the \$12 which would follow from the 4.7 per cent increase in the consumer price index. The lower unemployment benefit married rate and the rates for those with children (except for solo parents with one child, to be explained later) received the full 4.7 per cent increase.

Benefits and pensions are largely subject to price indexation in Australia and extension of this to family assistance has just been adopted, in accordance with Social Security Review recommendations, but the single unemployed benefit was removed from the system between 1978 and 1983 and thus lags behind the pension despite partial catch up (Cass, 1988a, p. 97).

6. SUPPORT FOR FAMILIES WITH CHILDREN

Both systems have until recently combined universal support to families with children with targeted assistance, although Australia in 1987 began to income test its general family allowances, albeit at a fairly generous level so that it is still available to 90 per cent of families. This change had not been recommended by the Review. Its general approach was that reform should consider the criteria of horizontal equity, vertical equity, reduction of incentives and support for the transition to paid work and intra-family equity (Cass, 1986b, Chapter 6). Its interpretation of horizontal equity led it to favour continuation of a universal benefit, to be indexed, with extra payments for families with one or more children under six, with four children or more and with a disabled child. High priority was given to improving the system and increasing the level of income tested payments and to indexing them, both of which have been taken up. In both countries the real value of all forms of family assistance had fallen sharply in the absence of indexation.

Family allowances were increased from 1 July 1989 from \$5.25, \$7.50, \$9.00, \$9.00 and \$10.50 per week for the first four and subsequent children to \$9.00 each for the first three children and \$12.00 thereafter, to be indexed with price change. This is considerably more generous than the New Zealand family benefit level of \$6.00 per week per child. Abatement occurs in Australia from a family income of around \$53,000.

Family Assistance Supplement replaced the more tightly targeted Family Income Supplement in Australia in December 1988. FIS was paid to only 29,200 families at June 1986, whereas 142,000 families received FAS in June 1988 (Cox, 1989, p. 37). The level was raised from 1 July 1989 from \$31.00 to \$34.10 per week for children aged 13-15 and stands at \$24.00 for those under 13, again to be indexed. Since its targeting regime makes it available almost entirely to one income comparatively low earning families, it gives rise, as with the abatement of benefits discussed above, to considerable penalties for the spouse entering or increasing hours in the paid labour force and thereby acts as a disincentive. This may be reduced somewhat by eligibility and payments for FA and FAS being calculated on family income in the previous year, a proposal which caused controversy when suggested for the aborted augmented GMFI in New Zealand. In that case abatement would have been at 100 per cent and one of the purposes of lagging was to mitigate the disincentive effect through the time delay. Lagging can cause hardship if income drops, but FAS reduces this problem with a review if the fall is 25 per cent or more.

Somewhat controversially, the dependent spouse rebate was raised from \$1,030 to \$1,300 (\$200 less with no children) in the budget. While the Review did not recommend its abolition, many submissions to the 1989 Women's Tax Convention did so, seeing as inappropriate its emphasis on dependence, its disincentive effects and its payment to the paid worker, almost always to the male. There is no similar rebate in New Zealand.

Improvements to family assistance can be seen as imperfect solutions to the problems raised by the regressive flattening of tax rates. Apps' careful analysis of Australian data led to the conclusion that provision of adequate assistance to low income families without excessive tax burdens for secondary earners is extremely difficult with much reduced progressivity (Apps, 1988). The flattening of tax rates is largely a transfer from middle to high income families and gives rise to equity losses. Since her earlier work questions the claimed efficiency gains of flatter rates, she argues persuasively that tax cuts should be in the form of increases in threshold levels rather than rate cuts. Unfortunately her analysis is contrary to conventional, if dubious, wisdom in both countries.

In New Zealand family assistance currently takes the form of the family benefit and guaranteed minimum family income mentioned earlier and of targeted family support to low income earners and beneficiaries. This is at the rate of \$36 per week for the first child and \$16 for subsequent children, available in full where family income is less than \$16,000 abating at the relatively low rate of 18 cents in the dollar up to \$27,000 and then at 30 cents. It is not indexed and has not been increased since its introduction in October 1986. In New Zealand family support and all married rate social security benefits are divided equally for payment between the couple, whereas family benefit, like both forms of family assistance in Australia, is paid to the main carer, usually the mother. In both countries direct payments to the mother are seen by women as crucial for ensuring a degree of intra-family equity and independence. Family support is administered via the tax system where possible, but is paid by the Department of Social Welfare where there is no taxable income. The administration has caused some problems, with changes in circumstances leading to overpayment and unexpected end of year tax bills.

The Royal Commission recommended the continuation of the universal family benefit. It would have reached \$20 if the real value had been maintained since 1979, and the Commission recommended a 'moderate increase' (RCSP, 1988, p. 539) and regular indexation thereafter to some measure of after-tax average earnings. Several arguments were given for the continuation of universality in this area. These included the recognition of a community responsibility for children, of the valuable caring work involved and of the costs of raising children to which society in general and those without children in particular should contribute. In addition family benefit is an independent source of income for women. Also important to the Royal Commission's rationale was a more general argument for universality, mentioned in recommending a non income tested element of national superannuation at age 68. This is the notion of social cohesion, with the likelihood that taxation to allow income transfers will command greater support if some parts of the system are universal so that most people will gain at various points in their life cycle. A rights based approach to income support also implies a degree of universality. In addition too heavy an emphasis on targeting can lock households into the poverty traps mentioned earlier. However, the elimination of further erosion of the universal payments is highly likely under the current review of family assistance.

Fiscal constraints and support for individual responsibility where possible, particularly in the workforce age groups where for most people the need for income support is temporary, demand a balance between universality and selectivity in income maintenance policies. Income targeting, in theory at least, allows greater support to those most in need. Clearly arguments over universality against targeting cannot be resolved independently of the total sums to be allocated and priorities therein, and the desirable balance will be a regular matter for debate.

The Royal Commission argued that too low a priority is currently placed on the needs of dependents and too little recognition given to the role of carers, so that the systems for income support in these areas need improvement. It recommended ultimate replacement of family support, guaranteed minimum family income and the domestic purposes and widows' benefits by a carers' allowance, available to those involved in unpaid care of children, the disabled and the elderly, with the universal family benefit retained. Major responsibility for the well-being of children and the associated costs would remain with the parents, but the community benefit arising would be recognised with a basic payment to all and additional assistance where parents' financial resources are insufficient.

The major difference from the current situation would be that in two parent households a non working parent would have eligibility for a payment which, if applied consistently with the recommendation of a move towards individual assessment, would be irrespective of spouse income. The effect would be similar to family support/GMFI, although possibly available irrespective of spouse income, but the approach is somewhat different, emphasising the caring role as socially valuable and as work. It would cover the period during which one spouse (or perhaps covering shared arrangements) was principally engaged in child care to the exclusion of paid work, suggested as being until the youngest child reached 5, 6, 8 or 10. The greater demands which child care places on sole parents could be recognised by retention of eligibility until the youngest child reaches a higher age. As with any change (and, for that matter, the current situation) these proposals raise issues of equity and comparability between sole and two parent families and between single and two income families at various income levels, as well as incentive and cost issues (for fuller discussion see RCSP, 1988, p. 533-568). The Commission recommended that the form, criteria and level of allowance should be the subject of discussion and research with a view to implementation.

Carers' allowance has considerable problems, recalling older debates on wages for housework. There is a danger of women being expected to remain out of the workforce in return for a very low allowance, rather than simply receiving some financial support and recognition of the choice they make. However, the contrasting danger exists of women being expected to be in the paid workforce rather than being given a real choice. Treasury emphasises incentives to enter the paid workforce, which may mean financial punishments for not doing so. If jobs and child care are not readily available, this is unfair and ineffective. In some quarters these arguments are backed up by an attitude that recipients of sole parent (domestic purposes in New Zealand parlance) benefits are work avoiders, an attitude strongly rejected by the Royal Commission. Availability of real choice and adequate support of each option seems the best solution to many women, but the blend of adequate support and incentives to enter the paid workforce where possible is difficult to achieve.

7. SUPPORT FOR SOLE PARENTS

Many of the issues concerning support for sole parents and their children are the same as those for two parent families discussed above. Questions regarding adequacy of support, recognition of caring work, joint state/parental responsibility for the costs of child rearing and transition issues to the paid workforce arise in both situations. However, the additional issues arise with a single carer unable to rely on sharing financial terms and/or household/caring activities. Changes in social situations and attitudes with increasing numbers and proportions of families having a sole carer in both countries led to the introduction of domestic purposes/supporting parent benefit in 1973 in both countries. Assistance to widows was available much earlier and 'deserted' wives were covered in certain circumstances, but the formalisation of the system occurred in 1973 in Australia for sole mothers and was extended to sole fathers in 1977 (Raymond, 1987, p. 14). In practice only 6.3 per cent of domestic purposes beneficiaries in New Zealand until 1987 were men and the corresponding 1985 Australian proportion was 5.5 per cent. Male beneficiaries were estimated to be only 38.8 per cent of all male sole parents at that date in Australia, as against 89.3 per cent for females (Raymond, 1987, p. 40). Growth in numbers of beneficiaries has been rapid in both countries, but expenditure in New Zealand, at 12.8 per cent of total cash benefits, is less than a fifth of that of national superannuation.

Some myths about sole parents need regularly to be dispelled. On average, recipients of domestic purposes benefit stay on benefit for only 3 years 5 months and only 19 per cent are in the never married category. Nevertheless, only a small proportion are able to move from the benefit to full time workforce, although more would wish to. In practice many enter a new partnership. Labour force participation for sole parents is lower in both countries than that of women in two parent families.

Levels of benefits are again higher in New Zealand. Sole parents in Australia with one child under 13 received in the first half of 1989 \$160.25 per week with the extra amount for more and older children mentioned above. In New Zealand that benefit level is \$253 including family support with one child, increasing by \$7.75 for two or more children (plus additional family support/benefit). This small differential was introduced in the last budget, following the Royal Commission's endorsement of an earlier Task Force report which suggested, based on international equivalence scales, that the payment to sole parents with one child was too high relative to other family structures. Thus the 4.7 per cent indexation applied to other groups was reduced to 1 per cent for single child sole parent families. No investigation of actual adequacy or of New Zealand equivalences was undertaken first, nor was the finding that larger families were relatively disadvantaged actioned.

The Royal Commission recommended renaming the domestic purposes benefit a carers' allowance to reflect better its true function. However, this causes some confusion in view of the discussion of a broader concept of carers' allowance mentioned above. Already, some suggestions have been made in the context of discussion of a generic benefit and work tests for a lower age for children than 16 for automatic eligibility for benefit for sole parents. Another form of tightening of benefit eligibility was mentioned in the April 1989 Australian Economic Statement, with presumptions about living situations disqualifying sole parents from receiving benefit.

Australia has introduced a highly formalised child support scheme with a complex formula for calculation of the contribution due from the non-custodial parent. If successful it should both collect more payments from such parents, saving state resources, and provide greater security and in some cases higher incomes to custodial parents. Similar lack of standardisation and default problems are experienced in New Zealand to the previous situation in Australia, and interest has been expressed in the scheme.

One measure taken in Australia recently was suggested by the Royal Commission for implementation in New Zealand. This is for widows and domestic purpose beneficiaries who cease to have the care of dependent children to no longer retain entitlement to that benefit. Given the purpose of the benefit, this seems reasonable, with encouragement of women in this category to join or rejoin the paid workforce or if this is impossible to move to another benefit, normally unemployment. However, given that many women in this category will have had little previous labour force experience, and that labour market conditions are currently unfavourable and suitable training not necessarily available, the change does not seem as innocent as at first sight. Nor would savings be all that great if women in this group, other than those who already voluntarily return to the labour force, cannot find employment. They would then either be on another benefit or in hardship. If the change was combined with adequate training programs and the introduction of a generic benefit, it could be positive. In Australia the similar measure was by no means painless, but the subsequent introduction of a purpose built training program, Jobs, Education and Training (JET), allocated \$40 million per year, was more positive. Even here, some doubts have been expressed about access to jobs and child care after, rather than during, the thirteen week program (Chesterman, 1989).

8. CONCLUSION

Both the Royal Commission and the Social Security Review show evidence of a great deal of work in attempting to balance state and individual responsibility in the income maintenance area and social needs with the economic situations. Those concerned for the standards of living of less advantaged groups might wish that their recommendations would receive more attention than seems likely, in New Zealand at least. Of course, advocates of current economic wisdom argue that recent policies give the best chance of medium term growth and thus enhanced standards for all, and that necessary reductions in government expenditure do not allow all the improvements that might be desirable.

In New Zealand it looks likely that the Royal Commission's cost-saving proposals, such as the living alone allowance replacement for the single/couple rates, will be introduced with few or none of those which involve extra expenditure. The increases in numbers on benefits such as unemployment and invalids which have occurred from recession and restructuring in themselves increase expenditure, so that measures such as the indexing changes are introduced, in addition to their claimed rationale, partly to balance the books. Both reviews will undoubtedly be excellent source documents for statistics and discussion for years to come. It seems certain that the Australian review will have more impact on policy than the New Zealand one, even if partly because family assistance increases, for example, were even more urgent there. How much more impact, though, remains to be seen.

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MULTICULTURAL POLICY: THE CASE OF IMMIGRANTS IN AUSTRALIAN UNIONS**

Loucas Nicolaou
Social Policy Division
Department of the Prime Minister and Cabinet

1. INTRODUCTION

The need for a conceptual framework within which social policy and the nature of the Welfare State can be examined in a wider perspective has attracted attention in recent literature and developments. For example, a relatively report by the Social Welfare Research Centre entitled '**Issues in Social Welfare Policy 1985: Perceptions, Concepts and Practice**' (Jamrozik, ed., 1985) stresses the dual role of the Welfare State, namely,

the maintaining function which entails financial support and related services provided for 'dependent' or 'disadvantaged' social groups and which at times involves elements of social control; and the facilitating or, enabling, function which enhances people's social functioning. (Jamrozik, 1985, p. 1 - his emphasis)

As argued in the report, this dual function is rarely recognised in the currently prevalent approaches to research or in public debate. This is despite the view that this dual role of the Welfare State may be identified in most areas of social policy.

This paper takes the concern of the above report as a starting point and emphasises the need to adopt a conceptual framework that views the Welfare State as providing services related to the people's survival as well as those which facilitate people's social functioning. Its focus is upon immigrant workers in general and immigrant unionists in particular. The terms **immigrants** and **immigrant workers** are used in the context of this paper to refer to those people born overseas and who have a permanent residence status in Australia. The primary focus is on those of NES background because of their particular position in the workforce, unions and society in general. An immigrant worker is often defined as Quinlan explains (1982, p. 5), 'as a person not of indigenous birth who arrives in a host society as an adult and then undertakes employment'. Immigrant workers are not treated in this discussion as a homogeneous group. Age, language, nationality, ethnicity or race, sex, socio-economic origins, primary reasons for immigrating, degree of prior industrial experience and skill are some of the most obvious characteristics that can differentiate immigrants. Nevertheless, what is reflected in this discussion is that all members of the population group under study have one thing in common, that is, they are all **immigrant workers**. This paper is based on the material collected in the course of a research project on immigrants and unions in New South Wales between 1982 and 1985. The primary aim of this project was to investigate issues concerning the position of immigrant workers in union structures and provide some insights into the processes that may explain why population groups, such as immigrants, women, Aborigines and people with disabilities are largely found in the most isolated sectors of union organisations. The general well-being of these groups and the implications involved partly as a result of their position in the union movement and partly as a result of their position in wider socio-economic and socio-political structures were the basic concerns of the study. The research design of the study providing the basis of this paper incorporated a mixture of methods of inquiry as identified in Nicolaou, 1986f.

* The views expressed in this paper are those of the author and do not necessarily reflect the views of the Department of the Prime Minister and Cabinet.

♦ Editor's Note: This is an abridged version of the paper presented at the Conference; copies of the full paper are available from the author.

The argument presented follows four steps. The first is to identify the range of difficulties faced by immigrant workers in Australia and pinpoint a number of factors that may explain why unions¹ have not systematically sought to understand and deal with the problems faced by immigrants in this country. The second step is to examine some definitions of social policy and social welfare, referring to recent developments and illustrating the way such concepts are used in the context of this discussion. The third step is to present unions and union structures as service-providing institutions, illustrating certain processes that take place in these organisations. Finally, the paper seeks to establish the link between perceptions and practices in social welfare and the role of unions in an attempt to identify the impact of such perceptions and practices on current immigrant-union relations in Australia. The challenge presented here is about change, or the lack of it, in recent years and the implications for the 1990s.

2. IMMIGRANT WORKERS AND UNION RESPONSES IN AUSTRALIA

The major trend in the Australian literature favours the criticism that neither the government nor society in general have been adequately responsive to immigrant needs. The analysis of power, control and representation in political and social institutions by immigrants and particularly **immigrant workers** has only recently and gradually become a matter of debate despite the intense immigration since the postwar immigration program which has resulted in nearly a third of the population being of immigrant origin. In 1986 over a fifth (20.8%) of all Australians were born overseas, of whom more than half (55.7%) were born in non-English speaking (NES) countries (ABS, 1989, p. 47).

A study of the postwar immigration policy reveals that this was seen as the only solution to Australia's under-population problem and to the economic crisis of that period. As a number of writers point out (Martin, 1978b; Sherington, 1980; and others), from the beginning of the immigration program in 1947, Commonwealth authorities put a great deal of effort into convincing the Australian community that immigrants of non-British origin could be as readily assimilated as the British. According to Martin's analysis (1978b, p. 207), by defining immigrants as **assimilable**, Australian institutions such as Education, Health Care, Unions and Industry, expressed similar responses to the immigrant presence during the first twenty years of postwar immigration. The responses of these institutions thus confirmed 'the wisdom, morality and non-threatening character of the migration program' (Martin, 1978b, p. 207).

As Sherington pointed out (1980, p. 133-134), although the original gesture of the postwar immigration program was founded on both humanitarian and economic grounds, **economic interest soon took pride of place** and by 1947 the First Minister for Immigration, Arthur Calwell, was announcing that preference in taking displaced persons could be given to those 'occupations where there is a marked shortage of labour' (Calwell, in Sherington, 1980, p. 134). He also stressed at the time that without immigrants, 'Australia's future would be uneasy, brief and short-lived' (in a speech to the nation recorded in a television program on **English on the Job**, Special Broadcasting Service, 11 September 1985).

Historically, Australia's immigrants have constituted an **industrial reserve army** (Collins 1975, 1978, 1984, 1988) or contributed to **labour market segmentation** (Lever-Tracy, 1981, 1984). On the whole, they have entered the lower strata of the Australian socio-economic and socio-political structures.

Yet, it is only over the last few years that serious attention has been given by various institutions to the disadvantaged position of these people. Despite their location in the workforce, the institution of unionism has been described in the literature as one of the least responsive to the immigrant presence in the Australian socio-economic and socio-political scene. In particular, studies have shown that immigrant workers - especially from non-English speaking backgrounds - have long been one of the most disadvantaged groups within Australian unions. For example, Ford found that although immigrant workers were most disadvantaged in the labour market 'the unions they must join do not recognise that they require any special consideration' (cited in Martin, 1978a, p. 200). He also concluded that

1. The simple term **unions**, instead of **trade unions**, is used throughout the paper because, as authors such as Plowman and Ford (1983) and others rightly claim, today few Australian unions are craft- or trade-based. Most are occupationally based and few occupations are not serviced by unions.

immigrants were perceived as a **problem** by both management and unions alike with neither group having a clear perception or understanding of their particular difficulties. Similarly, Hearn reported a

high degree of ignorance among Australian union officials concerning the basic facts about their migrant members (such as) numbers, sex and nationality. (Hearn, 1976, 154)

This unresponsiveness of Australian unions is associated by some writers with the immigrants' failure to participate in daily union activities, and/or to penetrate the union structures in any systematic way.² The failure of immigrant workers to have effective impact on the union hierarchy is seen by some writers, such as Morrissey and Jakubowicz (1980), as a symptom of their powerlessness which is based on a complex mixture of cultural and socio-economic factors.

The qualitative data collected in the course of the study providing the basis of this paper lends support to the view (expressed by Callus et al., 1979 and others) that immigrant workers face a wide range of difficulties that may result from four major sources. One is **the level of proficiency in English**. Many immigrant workers feel they are trapped in certain jobs with very poor working conditions and with very limited chances for promotion because of their poor English. Some do not see the point of participating in union meetings simply because these are run in a language they do not understand. Thus difficulties which derive from the workers' linguistic background have implications and consequences for their position in their working environment, in their unions and in society in general (Nicolaou 1986f).

A second major source of difficulty for immigrants concerns **cultural differences**. These arise from differences in values and norms of behaviour inherent in a multi-ethnic/multicultural workforce. There are immigrant workers who believe, for example, that they miss out on promotional opportunities or that they are asked to do certain difficult jobs, not so much because of their level of proficiency in English or because they are of **immigrant origin** as such but because of their particular ethnic origin. This was certainly the view of some Vietnamese, Lebanese, Greek and Italian respondents included in the study on which this paper is based.

A third major source of difficulty relates to a **lack of awareness among immigrants about local institutions** (including unions) and **welfare services**. Although there are immigrant workers who believe they are discriminated against at their workplace, they do not know where to turn for assistance. Not many immigrant workers are aware of the existence of anti-discrimination bodies and other related service-providing institutions, or the role of their unions in eliminating practices of discrimination or exploitation (although the same could be said of other workers as a whole). This lack of awareness compounds difficulties deriving from a lack of power, control and representation in political and social institutions and it may be regarded as a symptom of the immigrants' powerlessness based on a complex mixture of cultural and socio-economic factors.

Moreover, **the immigrants' occupational and industrial position** is a further major source that may generate difficulties for these workers, namely problems that are the result of being employed in a particular occupation and in a particular sector of the economy (that is, one's class position) rather than simply a function of ethnicity or language or gender. It is in this context that the dynamic interaction between **class, ethnicity and gender** has been advanced elsewhere, stressing that these can be conceptualised as operating together as three essential dimensions for sociological analysis (Nicolaou, 1986f). Outwork in the clothing industry is one of the best examples, revealing that women in general, and immigrant women in particular, are most disadvantaged not so much because of their ethnic and/or linguistic background but largely because they are found in a particular disadvantaged sector of the economy in which employers have had little or no union challenge, and which offers very limited access to alternative employment.

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2. As Martin says (1980, p. 70), 'the typical union official is white, male, over twenty-four years of age, and was born either in Australia or the British Isles'. Matheson (1977) cited a study which found only a few non-Angloceltic immigrants holding positions of office bearers and another study which could list fewer than 20 Greeks holding union positions throughout Australia. This is despite the fact that immigrants actually form a majority of the membership of some unions.

All four sources of difficulties are significant in that they contribute to the continuing location of immigrant men and especially immigrant women in one of the most disadvantageous sectors of the workforce. Immigrant women workers are most disadvantaged as, in addition to the problems faced by all immigrants, they also have to face the problems faced by all women (Martin, 1984). As a government inquiry has pointed out, immigrant women workers are 'trebly disadvantaged because of their ethnicity, sex and class' (Australian Committee to Advise on Policies for the Manufacturing Industry, 1976, cited in Hargreaves, 1982, p. 129). There are immigrant women workers, members of unions, who feel they continue to suffer at their workplace because the Angloceltic male union officials are not sensitive to their problem (Nicolaou, 1986f).

As one of the basic elements of industrial relations, unions are regarded in this discussion as the main organisations through which workers can seek to improve their position in the workforce. Yet, the bulk of the present evidence stresses that they have done very little or nothing to take up and deal with the difficulties and needs identified above. Although the study reveals that there is a general gap between the rank-and-file and the union leadership, the material gathered indicates that groups such as immigrants, women and Aborigines are even more isolated within union organisations. The data also suggests that although the membership's apathy towards union activities is important,³ analysts should focus on the way that unions, as organisations, and union leaders and other officials operate, if one seeks to achieve a comprehensive understanding as to why immigrants and other groups are most isolated in the union movement and as to why unions' response to their needs has been minimal (Nicolaou, 1986f).

A number of significant and interrelated factors may help explain why unions are not among the organisations that have systematically sought to understand and deal with the problems faced by immigrants in Australia. These factors are important here not only because they illustrate the importance of interrelating ethnicity and gender with class in an analysis of immigrant-union relations but, more importantly, because they throw light on how social policy issues are perceived and pursued in union structures.

One factor relates to the lack of awareness among union officials about immigrants' needs. Evidence presented elsewhere (Nicolaou, 1986f) demonstrates that there is a lack of understanding among the majority of union officials about the mixture of difficulties faced by immigrant unionists in general (64.1%, N=64) and immigrant women unionists in particular (78.0%, N=64). In the course of interviews with union officials, it became evident that some officials were willing to take up issues concerning immigrants but had no idea as to what these issues might be. It may be argued that this level of ignorance is largely a consequence of the officials' general approach not to act unless pressure comes from below (that is the rank-and-file). This approach on the part of union leadership (shared by 75.0% of the total sample, N=64) fails to take initiatives in reaching the membership because it assumes that union members are a homogeneous group having equal opportunities for raising their voices in union structures. Yet, immigrants may be disadvantaged by their lack of English, their gender or cultural preferences, thus union benefits and services are less accessible to some members than others.

A second factor derives from a reluctance among union officials to take into account issues which are specific to sectors of their membership. This factor is pertinent in this context because it points to the narrow perception among those involved in the implementation of union policies about the role of unions. The provision of English classes on the job or the establishment of work-based or work-related child care centres, for example, are considered by some officials as **social** rather than **industrial** issues and are therefore regarded as issues deserving low or no priority in union policy implementation.

In support of this dividing line between **social** and **industrial** issues, the typical union officials would argue that members are treated as equal unionists irrespective of their linguistic and/or ethnic origin, race, gender, age,

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3. Briefly, one may refer to three major reasons for apathy amongst members. One is their perception of themselves as purely wage earners, with any other extra involvement in activities such as those carried out by unions as being irrelevant. This could be especially true of those who see themselves as temporary wage earners. A second reason is a fear among union members that their involvement in union affairs may jeopardise their employment. A third reason is that some members do not trust their unions largely because they have not received the kind of service they expected in the past. The consideration of such concerns should lead the union leadership to take initiatives in encouraging rank-and-file participation rather than blaming the victim.

occupation or any other characteristic. The basic rationale of this uniformity in approach (which is not peculiar to Australian unions)⁴ is that any attempt to give special consideration to any group of members, such as immigrants, Aborigines or women, not only would get unions involved in issues which are beyond their objective, but also, and most importantly, such an attempt would fragment the unity of the union movement (a view shared by 57.8% of the total sample of union officials, N=64).

The view advanced here and elsewhere (Nicolaou, 1985, 1986a-f), however, is that this assumed unity is already fragmented by the very fact that specific disadvantaged groups are not seriously encouraged to form a solid force in day-to-day activities and in the formulation of union objectives. This view emphasises the argument that the provision of English classes on the job is an **industrial right** because it has implications for the position of workers concerned in the workforce. More importantly, it stresses that the dividing line between the **industrial** and the **social** spheres (at least in relation to union activities) is a myth. The needs of workers as a whole cannot be fully understood and dealt with unless they are related to the workers' social, economic and political position in society in general.

A **third factor** that may account for the isolated position of immigrants in union structures is their lack of representation in terms of actual numbers in the union bureaucracies. In particular, the study identified 711 full-time (F/T) officials working in 142 unions in New South Wales between March 1983 and February 1984. The vast majority were born in Australia (88.6%) or in other English speaking countries (8.3%). Only 22 F/T officials were born in non-English speaking countries.

Further, of the 103 women F/T officials only 17 were born overseas (10 in English and 7 in non-English speaking countries). This lack of representation is also apparent in peak council delegations such as the ACTU (Australian Council of Trade Unions) Congresses. For example, Zangalis (1974) reported that of the 700 delegates to the 1970 ACTU Congress, only five were born in NES countries. He observed similar patterns in the 1981 and 1989 ACTU Congresses (personal interviews, September 1981 and March 1990). A New South Wales Labor Council official estimated on the basis of the delegates' surnames that about 84 of the delegates in the 1985 Congress were of NES origin (correspondence, February 1986). Even if one accepts that non-Angloceltic surnames are more likely to refer to immigrants born in non-English countries, still the number referred to above reflects only 8.6 per cent of all delegates who attended the 1985 ACTU Congress (N=979). It is doubtful whether this picture changed significantly in the 1987 or 1989 Congresses.

Thus overall, if one had a hierarchy in terms of numbers and status of union officials, one would find that the top of the hierarchy would be occupied by men born in Australia, whereas the bottom of the hierarchy would consist of women of NES origin. This is despite the fact that immigrants actually form a majority of the membership of some unions. The typical justification for this, as expressed by union officials (reflected in the comments of 62.5% of the sample N=64), is that union structures operate on the principle of democracy and therefore the chance of holding an office in these structures is the same for everybody irrespective of sex, ethnicity, age or occupation. It is up to the individual to climb the hierarchical ladder and every individual has equal opportunity for doing that.

Yet, on the basis of the material collected, it can be argued that the selection of union officials is a political process in which the losers and winners are to a large extent determined by those already in power rather than by the rank- and-file. In this context, full-time paid union officials need to be regarded as a major force influencing the chances of other individuals to take up union positions. It can also be argued that, at least in relation to full-time union positions, in reality, **officials select officials in the first place, irrespective of whether the final selection is made by either appointment or election** (Nicolaou, 1986f). As a consequence, those selected are those who are considered by officials already in power as suitable for the job. This is a process in which the officials' priorities and preferences influence the likelihood of other individuals making it to the top of union bureaucracies. As demonstrated elsewhere (Nicolaou, 1986f), generally speaking, priorities do not include issues concerning immigrants, women, Aborigines and other specific groups. This may be a result of the officials' attitudes and prejudices towards these groups, or a lack of

4. As the following quotation reveals, this has also been the general approach of the British unions:

Once trade unionists start picking and choosing between different groups of workers, segregating one from another, we are on a slippery slope towards our own destruction. (Trade Union Congress - UK, cited in Matheson, 1984, p. 73)

awareness as to what the issues are, or a fear that special consideration would break up the unity of the union movement, or a combination of these factors.

A **fourth factor** that needs to be considered is the fact that some union officials (who implement union policies) and some union members (who support the implementation of union policies) hold certain prejudices, views of assimilation, misconceptions, sexist and other attitudes which contribute to a lack of initiatives, acknowledgement and understanding concerning difficulties experienced by immigrant men and women. For example, there are union officials and union members (of Angloceltic origin) in New South Wales (and one could hardly imagine that things could be any different in any of the other Australian States), who believe that government initiatives promoting the interests of immigrants in Australia are wrong because they hinder the assimilation process (evident in the comments of 46.9% out of 64 F/T officials and 56.3% out of 32 Australian-born union members). There are officials and members who strongly believe that women in general should stay home and look after their children or who deny that women workers may have needs that men workers do not have. Such attitudes may be described by some analysts as **racist**⁵ and/or **sexist**, making the implementation of certain union policies favouring immigrant workers and women untenable.

A point that must be stressed here is that Australian unionism is one of many institutions in Australian society. The activities of these institutions are, at least to some extent, a reflection of the society as a whole. Thus one would not be surprised, for example, that a great proportion of Australian-born union officials (60.0% out of 50 interviewed) as well as a number of Australian-born union members (56.3% out of 32 interviewed) said very clearly that immigrants would remain at the same position until their children came to assimilate into **Australian** society. This is in accordance with some of the findings of a more recent survey in which the vast majority of the respondents expressed a level of agreement to the suggestion that immigrants should change their behaviour to be more like other 'Australians' (63.3% out of 4502 respondents, DPM&C - 1989b, p. 148). It can be argued that this is a clear reflection of the formal policies of many institutions in Australia in 1950s and 1960s.

Finally, a **fifth major factor** which may account for obstacles in the implementation of union policies favouring immigrant workers is the lack of adequate resources in union structures (as expressed in the comments of 86.0% out of 64). It is beyond doubt that, even if union officials were determined to implement such policies, they could hardly do so with the very limited resources currently available to them, including a lack of adequate funding and expertise in the area of immigrant issues. If, for example, one of the objectives is to bring immigrant members closer to union activities and services, then educating these members about the role and benefits of unions may be a first step. To be done successfully, this can be a very expensive and difficult process demanding funds and expertise that unions can hardly provide with current resources.

As stressed elsewhere, it is in this sense that one should not undermine the extent to which Australia's immigration has been determined by government policies. As a consequence, any analysis of the position of immigrants in society in general, and in the institution of unionism in particular, ought to include a discussion on the role of the state and of the relation between capital, labour and the state (Nicolaou, 1986c,f).

All the above factors are interrelated and significant for any comprehensive analysis of the position of immigrant workers in union organisations. It is in the light of such factors that union policy formulation and implementation, government involvement as well as people's attitudes and perceptions about the role and value of unions in society can be identified as major areas where change may be considered (Nicolaou, 1985, 1986e,f).

Indeed, it is in the context of the above points that the remainder of this paper considers the prevailing definitions of what is, or is not social policy and social welfare as well as the prevailing definitions of what is, or is not, the role of unions, seeking to establish further the impact of such definitions on the **welfare** of immigrant unionists. Unlike

5. It became clear in a conference on the **Cultural Construction of Racism** at the University of Sydney (2-4 August 1985), especially in the comments of contributors such as R. Miles and M. de Lepervanche, that expressions and practices of racism can be very difficult to define concretely. Indeed, referring to Australian unions and immigrant workers, it may be more appropriate to talk about prejudices and practices of assimilation rather than concrete expressions of 'racism' as such.

previous publications, the discussion that follows presents new material on recent developments, strengthening the argument for a wider perspective in social policy.

3. IN SEARCH OF A SOCIAL POLICY AND SOCIAL WELFARE FRAMEWORK - WHERE DOES MULTICULTURAL POLICY FIT?

As outlined elsewhere (Nicolaou, 1985, 1986e), a quick glance at the literature reveals that definitions of social policy and perceptions about the nature of the Welfare State in Australian society vary widely. For example, the Australian Council of Social Service (ACOSS) has referred to social policy as the term applying

collectively to all policies, both government and non-government, which attempt to maintain or change social relationships within the society. (ACOSS, 1972)

In illustrating the complexity of the concept, Graycar (1979, pp. 137-138) has indicated that social policy can be conceptualised in at least four ways.

First, as a philosophical concept, referring to a set of desirable aims. Second, as a product, that is, 'as a series of conclusions or recommendations' dealing with 'selective or general social improvement' (Graycar, 1979, p. 137). Third, as a process, referring to the means by which organisations seek to carry out what they are required to do. Finally, social policy can be viewed as a framework for action, outlining the actual procedures through which principles materialise. Graycar has also argued that social policy and social intervention by the state

must be geared to three things: the creation of a social and economic environment which is conducive to redistribution and which provides substantial investment in human capital, and public goods and services; an equitable income support system; a set of personal social services. (Graycar, 1983, p. 3-4)

Drawing from the work of Richard Titmuss, Jones has identified fiscal, labour market and social administration strategies for the achievement of social welfare goals. He has suggested that

Social policy emphasises minimum standards below which no one should be allowed to fall and stresses equity - the distribution of benefits - rather than efficiency ... (Jones, 1983, p. 2)

Other writers, such as Mishra (1981, p. 100), have labelled the strategies in social policy as either basically **residual** or **institutional**, with the former seeking to minimise the role of the state, while the latter involving a definition of the state as the guarantor of a certain quality of life for all society. Of course, this dichotomy is open to some question, especially from a perspective which is concerned with the role of the state in capitalist society (Jakubowicz et al., 1984).

Moreover, writers such as Jakubowicz, Morrissey and Palser have regarded trends in social policy as

state strategies designed to resolve conflict in the sphere of social relations and thus maintain the basic economic relations of the society, and the domination of those relations by the capitalist class - the bourgeoisie. (Jakubowicz et al., 1984, p. 3 - their emphasis)

Furthermore, analysts, such as Dobell (1981), Jamrozik (1983c) and others, have pointed to the view that the concern of social policy is with the allocation and re-allocation of resources, and as a consequence, social policy is by definition related to economic policy. This concern is not necessarily in accordance with one particular set of ideals or with one specific political and social philosophy. Conservative, liberal or socialist philosophies or any one of the economic theories may provide a basis for social policy. In this context, in Jamrozik's words, 'The common feature of any social policy will be its political and economic elements' (Jamrozik, 1983c, p. 5).

Social policy, therefore, changes over time as the relationships and the relative power of interest groups change. In this sense, at any one time, social policy can be regarded as 'the outcome of particular fractional ideologies, processed through state bureaucracies which have their own interests ...' (Jakubowicz et al., 1984, p. 5).

It is well beyond the scope of this paper to enter detailed examination of these and other definitions and perceptions of social policy. Instead, for the purposes of this discussion, it is more useful to concentrate on the general agreement identified in the Australian and overseas literature that social policy is essentially concerned with regulating social relationships. In Titmuss' words, it deals with

the principles that govern action towards given ends. The concept denotes action about means as well as ends and it, therefore, implies change: changing situations, systems, practices, behaviour. (Titmuss, 1974, p. 23)

What is even more important for this discussion is that, as Jamrozik has pointed out, in common usage,

the term social policy has the connotations of welfare, social security, redistribution of resources. Associated with social policy are such more or less abstract terms as equity, equality, fairness, social justice or even altruism. (Emphasis added, Jamrozik, 1983c, p. 5)

It is one of these connotations or aspects of social policy that this paper examines, namely **welfare** and **social justice** as a related dimension to it. What is meant by social welfare becomes important for consideration in any attempt to conceptualise a framework within which the role of industrial organisations, such as unions, in social welfare arrangements can be studied.

Over the years, the debate on social welfare has gradually narrowed to the single dimension of income support. As Jamrozik has argued (1983a), the focus on **the poor** has been the prominent feature in welfare literature and research. At the theoretical level, one finds in the literature an awareness of the need for a wider perspective.

For example, Titmuss (1956) took a broad perspective when identifying three kinds of welfare, that is, social welfare, fiscal welfare and occupational welfare. In evaluating Titmuss' work, Sinfield (1978) has pointed out that occupational welfare works in favour of those employees who are found in the higher levels of the occupational hierarchy. He has argued that, in an attempt to gain a better understanding of the processes of distribution and redistribution generating and maintaining social, political and economic inequalities, there is a need to study the social divisions of welfare from an approach which places the focus on both the unequal distribution of economic resources as well as on the unequal distribution of status and power.

Graycar has also expressed an awareness of the need for a wider perspective on social welfare when stating that social policy

is essentially concerned with social welfare and traditionally has concerned itself with issues affecting those deemed to be poorer, less capable, less fortunate, and more depressed members of a society. As a result, social policy has in the past been confined to the study of social services and the 'welfare state', although there is a strong argument that social welfare and social well-being affect the whole community and not simply those in need. (Graycar, 1979, pp. 2-3)

Other writers, such as Head (1980), Jamrozik (1983a-c) and Ternowetsky, (1983, 1984, 1985) have taken a more critical stand and argued that the narrow perspective on social welfare almost exclusively on issues of income maintenance fails to provide a comprehensive account of the functions the social welfare services perform. For example, Head has called for a radical analysis of the Welfare State in capitalist society, which, in his words,

would focus upon the political economy of state activities as a whole, locating social security outlays in the wider context of state economic intervention and redistribution. (Head, 1980, p. 50)

Jamrozik has also stressed the need for a different conceptual framework for a more comprehensive understanding of the processes through which social, political and economic inequalities are generated and maintained. When discussing social policy in Australia from 1976 to 1982, he has referred to two kinds of social expenditure and concluded that the selective social welfare policy of the Fraser Government was selective only in relation to one part of expenditure, namely 'the **visible** part of expenditure which in the narrow traditional perspective has been perceived as "welfare"' (Jamrozik, 1983c, p. 13 - his emphasis). The other parts of social expenditure, in Jamrozik's view, namely 'the collective services and expenditure through taxation revenue forgone (the fiscal and occupational welfare)' ... (1983c, p. 13), although based on universal principles, have been selective in favour of the middle and high income groups.

A major feature of Jamrozik's analysis is the emphasis on the difference between the two kinds of social expenditure - that is, the visible part and the other 'invisible' - and on how this difference relates to the recipients themselves. The former is 'what is commonly perceived as welfare expenditure' and 'is related to the recipients' survival', while the latter - the other parts of expenditure '**are related to the recipients social functioning**' (Jamrozik, 1983c, p. 13), such parts reflect social justice principles.

Despite a degree of awareness in welfare literature of the need for a wider perspective, it is only recently that some analysts examined in a more systematic way other areas of government and non-government outlays, suggesting that welfare expenditure may be greater and wider than simply the expenditure on pensions and benefits. As argued by Jamrozik (1983a, p. 86), the prevalent approaches to empirical studies on issues in Australian social welfare (apart from a few exceptions such as Jamrozik et al. 1981, Keens and Cass 1982, Cass 1983, a number of contributors to Graycar, 1983 and Graycar and Jamrozik, 1989) have concentrated on 'the poor'.

In the context of this paper and the broader study, social welfare issues are to be understood from a conceptual framework which includes not only those welfare services dealing with the recipients' **survival** but also those which facilitate and enhance the recipients' social **functioning** and general well-being. This is a framework revealing that the boundaries of the Welfare State go beyond what is generally perceived as welfare, bringing into the scene welfare recipients who are not regarded, and/or do not regard themselves, as such (Jamrozik et al., 1981). Within such a framework, immigrant workers as members of unions are not necessarily to be studied as what one may call **the poor** but as a population group who for social, political and economic reasons compete in a labour market on unequal terms.

Thus, social policy in its broader sense and social welfare as one aspect of it, can be the concern of not only government instrumentalities but also non-government organisations. Unions, for example, can and do have on their agenda concerns related to social policy and social welfare. Certainly, such concerns of any non-government organisation or institution have to be examined in relation to the wider structures of society, and it is in that context that the role of the state cannot be ignored.

Indeed, this broader framework in social policy is reflected in recent initiatives at the Commonwealth Government level. For example, this is evident in initiatives pursued by the Government as part of its **social justice strategy** (DPM&C, 1988a-c). More specifically, along with its economic strategy 'of making Australia a wealthier society', the Hawke Government sought to develop a strategy aimed at building a society with

- *a fair distribution of economic resources;*
- *equal access to essential services such as housing, health care and education;*
- *equal rights in civil, legal and industrial affairs; and*
- *the opportunity for participation by all in personal development, community life and decision-making.* (DPM&C, 1988a - their emphasis)

Components of this strategy such as equity, fair go, equality of opportunity or capacity to participate in decision-making processes are significant in the context of this discussion because they take the focus of social policy development and implementation beyond the narrow perspective of concentrating on **the poor**.

It is in this sense that **multicultural policy**, as adopted by the Commonwealth Government recently, is inevitably a part of a much broader social policy framework. Undoubtedly, such policy can be easily misused or misunderstood.

For example, more than a third of respondents participating in a recent survey expressed a level of agreement with the suggestion that **multiculturalism** undermines loyalty to Australia (38.3% out of 4502 respondents, DPM&C, 1989, p. 230).

In fact, at least in relation to immigrant workers, the author has in the past avoided the use of this term because

one may rightly consider a concept like 'multiculturalism' as being very misleading if it is taken to assume that cultural factors (such as 'problems of communication') rather than the structural position of immigrants in the workforce, comprise the primary source of disadvantage. (Nicolaou, 1986f, pp. 31-32)

More recent developments, however, within the context of Commonwealth Government perceptions and practices have established a much more meaningful and pragmatic approach to **multicultural policy** by stressing the interrelationship between its three components, namely,

- *the encouragement of acceptance by all Australians of our cultural and linguistic diversity;*
- *the provision of equal access to all programs and services regardless of ethnic, cultural, linguistic, or religious background; and*
- *the maximisation of the nation's human resource potential through removal of barriers to education, training and the labour market which often confront Australians of non-English speaking background, including Aborigines, Australians born overseas and their children. (DPM&C, 1988b, p. 67)*

Arguably, the focus of such an approach does encourage the development and implementation of policies related to immigrants' position in all Australian institutions, including unions.

4. UNIONS AND UNION ORGANISATIONS: IN SEARCH OF A CONCEPTUAL FRAMEWORK

According to the Australian Bureau of Statistics, unions are the organisations

consisting predominantly of employees, the principal activities of which include the negotiation of rates of pay and conditions of employment for [their] members. (ABS, 1985, p. 1)

As examined elsewhere (Nicolaou, 1986e-f), approaches to labour movements implicitly or explicitly involve a perception of unions as an essential institution in society. This perception provides the basis of this paper which takes for granted that unions comprise an essential component of society, having a major role to play in an attempt to alleviate socio-economic and socio-political inequalities. In the context of this paper, it is taken for granted that although the interests of unions can be economically defined, these economically defined interests 'are invariably politically articulated' (Wanna, 1979, p. 85). From this point of view, as Wanna has pointed out, union activities can hardly be divided in a simplistic way between proper industrial operations and 'the more dubiously "political" operations' (Wanna, 1979, p. 85, his emphasis).

The union movement took root in Australia in the 1850s after a flood of new immigrants leading to the rapid inflow of capital and labour in the wake of the gold rush. Historically, the interests of Australian unions have focused on gaining improvements in the **bread and butter** conditions of employment. As Wanna has pointed out (1979, p. 87), '... unions became in the main state-suckled **industrial** advocates of labour' (emphasis added).

It could be argued that this was a consequence of their historical development in which the state played a crucial role. Apart from a few exceptions (such as the Amalgamated Shearers' Union and the Amalgamated Miners' Association), the unions of the 1850s established Trades and Labour Councils in the capital cities in an attempt to formulate some form of liaison with the colonial governments. With the defeat of the Great Strikes (1890-94) by the colonial States,

unions found themselves within a legislative system imposing significant constraints on their activities. This system was further established and extended after Federation, which led to the existence of commissioned bodies (such as the Arbitration Courts, Wages Boards, State Trade Boards and in 1904 the Commonwealth Arbitration Court) to deal with industrial matters. Compulsory arbitration caused a situation in which unions lost a lot of bargaining autonomy while, in Wanna's words,

courts assumed the right to determine a fair living wage for a human being and family in civilised country. (Wanna, 1979, p. 87 - his emphasis)

In the early years of Australian unionism, union policies were concerned with the

guaranteeing of the eight hour day, the securing of economic protectionism through tariffs and agreements, the preservation of the whiteness of Australia by immigration restrictions and work bans on Asian settlers, and the legal right to protection in the collective bargaining process. (Wanna, 1979, p. 87)

Today, peak councils of Australian unions have policies about almost everything. This can be regarded as a reflection of developments in government policies over the years. In particular, the Australian Council of Trade Unions (ACTU) has now policies on Apprentices and Young Workers, Disabled Workers, Discrimination, Economy, Education, Immigration, Industrial Legislation, International Affairs, Media and Communications, Occupational Health and Safety, Wages and Working Conditions, Social Welfare, Working Women and other matters. This concern with policies that go beyond the traditional areas of wages and working conditions is not a recent phenomenon. This was certainly evident in Mr Hawke's speech shortly after he assumed the presidency of the ACTU in 1970 when he declared that

In the past, as I see it, there has been a tendency to draw a dividing line in unionism. On the one side have been placed things that are traditionally union matters - wages, working conditions - but on the other are placed issues that are not touched by unions. My reasoning is that there should be no dividing line. Anything that constitutes discrimination or hardship against our people - then in we go. (cited in Bentley, 1971, p. 406)

In practice, however, active union involvement in a wide range of social and political issues has been the exception rather than the rule. Some activities of the Waterside Workers' Federation (WWF), the Amalgamated Metals, Foundry and Shipwrights' Union (AMFSU, otherwise AMWSU) and a few others are referred to in the literature as isolated examples of this kind of involvement (see e.g., Plowman et al., 1980).

Traditionally, Australian unions have been preoccupied with what were regarded as **economic objectives**, referring to wages and working conditions. This is despite the increasingly growing awareness of the need for a wider union involvement. Now, there is a situation in Australia in which the gap between union policy formulation and union policy implementation is far too great. Although the very promising and encouraging ACTU policies identified above have largely been endorsed by the Trades and Labor Councils and many individual unions around the country, very few of those wider policies have actually been put into practice. This kind of gap points to the widely held view that **to have a policy is one thing - to actually implement it is quite another**. In the case of Australian unions, this gap between policy making and policy implementation may be accounted for in terms of a wide range of factors some of which have already been identified above.

Unions can be seen and understood as complex bureaucratic organisations or in Lipset's terms as 'private governments' (1963, pp. 357-358). They are no exception to the rule that all large scale organisations are constrained by a need to design bureaucratic structures, that is 'a system of rational (predictable) administration' (Lipset, 1963, p. 359). Internal and external forces place unions in a situation whereby they must set up administrative systems with clear patterns of responsibility and authority. As is the case with all organisations with formal constitutions, subordinate officials and administrators have to function within the given rules for dealing with common situations.

There is a general agreement among a number of writers, such as Plowman et al. (1980), Dabscheck and Niland (1981), and Frenkel and Coolican (1983), that although organisational and decision-making structures may have numerous levels or layers of administration and may vary from union to union, one may identify three separate

administrative and decision-making levels within most unions: the shopfloor (or plant/local) level, the state (or branch/intermediate) level and the federal (or national/central) level.

This paper argues that many of the policies designed by the state and/or the federal levels for the shopfloor activities are rarely implemented largely because of the way priorities are determined in the daily union activities. The general approach of many union officials is to pursue the implementation of certain policies only if there is pressure from the membership. For example, the establishment of work-based on work-related child care centres could very well become a first priority in union policy implementation if, **in the minds of union officials**, there is **enough** pressure from the rank-and-file for that particular goal.

At this point, it is useful to refer to a conceptual framework which can prove to be very helpful in identifying some of the obstacles implementing union policies. Services in general consist of a range of activities (such as administration, policy making, education and service delivery) being carried out within a variety of more or less formal organisations. Donnison (1965, p. 232) developed a framework classifying these activities into three areas, carried out by three groups of people, who, as he argued, do not consist of physically different people because many of them carry out more than one role. The first group is the **providers of services**, the second the **controllers of resources**, and the third the **determiners of demand**.

In the case of union organisations, it is argued in this paper that all those activities are performed by one particular group of people, that is, union officials and in particular full-time paid officials. Some union officials hold the view that the determiners of demand are the rank-and-file because the rank-and-file has every opportunity to bring to the attention of the union leadership the issues and the problems that need to be considered and dealt with. In reality, this does not seem to happen because the voice of particular groups of the union membership, such as immigrants, Aborigines, women and people with disabilities, is not heard.

In fact, it can rightly be argued that on the whole, it is **the full-time paid officials** who are involved in the day-to-day provision of services, **it is they** who control the limited resources available, and **it is they** who determine the priorities in relation to the membership's demand. This argument points to a process in which the union officials' perceptions, beliefs and opinions about union objectives and aims as well as their understanding of problems faced by specific groups and their attitudes towards these groups, comprise a major force in determining priorities in implementing union policies (Nicolaou 1986f).

In particular, 25 per cent of 64 officials interviewed (March 1982 - March 1984) argued that many of the problems that their members brought to their attention (such as language problems, domestic difficulties, discrimination outside work, and others) were **non-industrial** and that members should seek assistance from other agencies because these were not union business. About 31 per cent suggested that Organisers should restrict themselves to **industrial** issues but their union should employ social workers to deal with what were regarded as **social** problems but they (the Organisers) did not have the time or the qualifications to do so. They argued that their unions should employ suitable qualified personnel. This group of officials regarded unions as having an important role to play in maintaining the general well-being of members by dealing with wider issues, not necessarily related to the workplace. Such perceptions and attitudes may be regarded as reflections of perceptions and attitudes in society as a whole.

5. ESTABLISHING THE LINK BETWEEN PERCEPTIONS AND PRACTICES IN SOCIAL WELFARE AND IN UNION ACTIVITIES: IMPLICATIONS AND CONCLUSIONS

In summary, the argument presented in this paper has three basic, interrelated components which provide important conceptual considerations for analysts in the fields of both social welfare and industrial relations.

The first component concerns the interrelationship between the fields of **social policy** and **industrial relations**. It stresses that social welfare issues should be understood from a conceptual framework which includes not only those welfare services dealing with the recipients' **survival** but also those which facilitate and enhance the recipients' **social functioning** and general well-being. Within such a framework immigrant workers as members of unions are not studied as **the poor** but as a population group who, for social, political and economic reasons, compete in a labour market on unequal terms. Such a framework goes beyond the narrow perception of social welfare as the single dimension of income support. Instead of concentrating on the claim that many immigrant workers are well-off or

living above the 'poverty line' because they receive a 'good' wage, this framework allows for the consideration of the fact that these workers as a whole may work longer hours than other workers, in some cases having more than one job, and that these workers may work under the worst working conditions, receive the worst pay and carry out tasks which are physically hard and menial. These are problems they face in addition to the difficulties deriving from their immigrant status, linguistic and ethnic origin, as well as their gender in the case of immigrant women. Such problems and difficulties can hardly be ignored because of their negative consequences for the general well-being of these people (Nicolaou, 1986f).

The second component of the argument presented is that issues, such as the provision of English classes on the job, the establishment of work-based or work-related child care centres and others, which are directly related to the social functioning and general well-being of workers are to be understood as **industrial rights**. Any attempts by unions and other organisations involved to label such issues as **social** and not relevant to union objectives may be regarded as an excuse and as a way out of their industrial obligations.

The third component of the argument emphasised in this paper points to the view that, at least in relation to union activities and objectives, the dividing line between the **industrial** and the **social** spheres is a myth. This is because a comprehensive analysis of the processes through which inequalities in the labour market, and society, are created and maintained would demand a framework within which workers are examined in relation to their position in the wider structures of society. A focus on wages and working conditions would provide a picture describing only a part of what is investigated. Within this wider framework, the right to English classes on the job, for example, would become a union objective even if it was labelled as a **social** problem. It is in this context that the task of the educators, decision-makers and policy-implementors in social policy and social welfare overlap with those in the field of industrial relations.

This is a view advocating that unions need to be understood, by people involved in the union movement, government instrumentalities, and people in society in general, as a political institution which concerns itself not with just wages and working conditions but also with wider issues which may affect the social, economic and political position, and the general well-being of union members. It is then that unions, government and other organisations may seriously start directing their attention (at the structural level) to issues concerning immigrants, women and other disadvantaged unionists in particular and workers in general.

Union policy formulation and implementation, government involvement and people's attitudes and perceptions about the value of unions in a society have been identified elsewhere as three main areas where change may be considered (Nicolaou, 1985; 1986f). A number of points may be stressed in the context of this paper.

People's attitudes and perceptions about the value of unions in a society is indeed one area where change may be considered. It is about time that unions as a whole were accepted not only by the workers but everybody else as a necessary institution in society. After all, unions are the main best organisations through which workers may seek to improve their position in the workforce. The greater the awareness of the role, functions and objectives of unions, the better the general well-being of workers, and society as a whole. In the long run, secondary and especially tertiary educational institutions can play a very important role in achieving this goal. It is imperative for instance that social workers, welfare officers and other welfare service-providers (involved in the delivery of services to people working at the shopfloor level) get a feeling for the working environment of their clients. The most appropriate organisations through which these service-providers can reach their clients, in the real world, are unions.

Yet, social work and social welfare schools in Australia hardly consider this need as a major part of their training programs. Indeed, a survey of all Australian social work and social welfare schools (conducted in January-March 1986) revealed a lack of initiatives among educators in placing students in union organisations as part of their fieldwork. In particular, out of the thirteen social work schools accredited by the Australian Association of Social Workers at the time of the survey, only six schools had placed students in union organisations. This has been only a relatively recent and not systematic development. Similarly, only four colleges providing social welfare and/or other related course had such student placements (Nicolaou 1986e).

As argued earlier, one of the reasons which may account for obstacles in the implementation of union policies favouring immigrant workers is a lack of adequate resources, in terms of funding and expertise, in union structures. It is in this respect that **government involvement and support** is considered in this paper as a major area of potential change. Traditionally, such systematic involvement has been minimal. It may be argued that this is due to two

interrelated reasons. One derives from policies of assimilation which dominated all Australian institutions in the 1950s and 1960s. The other relates to a traditionally narrow perception (shared by some government officials) as to what is, or is not, welfare and as to who is, or who is not, responsible for the general well-being of immigrant workers. In the course of unstructured interviews as part of this study, it became clear that not only some government officials perceived welfare as the single dimension of income support (suggesting that immigrant workers faced no real 'welfare' difficulties because they had a job and an income), but also that such officials regarded difficulties faced by immigrant workers as being beyond their responsibilities. Yet, some union officials, for instance, argued that this should be the job of all government departments. As one official stated, 'it is the government who brought migrants here in the first place; it is up to the government to look after them' (Nicolaou, 1986f, p. 525). The view advanced in this paper, therefore, is that such an approach, lacking systematic initiatives on the part of government and union organisations and deriving from a narrow framework in the fields of social welfare and industrial relations, has contributed to the continuing location of immigrant men and women in the most disadvantageous sectors in the Australian workforce (Nicolaou, 1986f).

It is only over the last few years that the Federal Government has increasingly provided funds to unions, for example, to employ Development Officers to investigate issues concerning immigrant-union relations or support other project activities in this area (Tables 1 and 2). This is a step forward, reflecting a broad perspective in social policy and it is the kind of involvement that must be encouraged even further. Table 1 indicates the level of funding provided to unions and other target groups under the Migrant Project Subsidy Scheme (MPSS) between 1978 and 1988. Table 2 gives an indication of the grants awarded to unions in 1989 under the Migrant Workers Participation Scheme (MWPS).

Also, the role of the Trade Union Training Authority (TUTA) may need to be reconsidered. At present, the primary objective of TUTA is to train union representatives and other union leaders. The education of union members about the role and function of unions is not one of the primary goals of TUTA. The explanation often put forward for that is the limited resources available to this organisation. Any change in this area would require a close co-operation between union, government and employer representatives.

Moreover, although recent emphasis on restructuring and on the establishment of workplace tripartite committees dealing with industry restructuring, industrial democracy and industry training has increasingly brought a greater awareness among unions, government bodies and employer groups, in practice, the systematic provision of efficient and effective English classes on the job still remains a problematic area (Miltényi, 1988, 1989; Toohey and Miltényi, 1988). Unions may find employers more inclined to introduce English classes on the job without loss of pay if the government introduces legislation exercising some pressure on employers to do so. Such legislation exists in Sweden (Ford, 1974; Morrissey, 1985) - why not in Australia? This would benefit not only the workers and union movement but also the employers because the elimination of communication barriers may very well increase the productivity level and decrease the incidence of industrial accidents. This becomes particularly important in the context of recent evidence demonstrating the economic benefits of English classes on the job (Miltényi, 1989).⁶

Taking into account the growing awareness among government and other organisations about the wide range of difficulties faced by immigrant workers in Australia, one may be optimistic about a greater direct government involvement in encouraging union organisations to address such difficulties. On reflection, however, one may wonder about the effectiveness and extent of this involvement when this is evaluated within a historical framework. Nevertheless, immigrant workers and immigrant unionists may directly or indirectly benefit from recent initiatives in the 1990s (DPM&C, 1989). The extent to which those initiatives will have any direct impact, in the short term or long term, on issues related to immigrants' position in Australian unions remains to be seen.

6. It could be suggested that this may result in a disincentive for some employers to employ people with language difficulties on the basis that they may not be as efficient as those workers who do not face such difficulties. Undoubtedly, protective legislation would also need to be introduced to prevent discrimination on the grounds of one's linguistic origin.

**TABLE 1: MIGRANT PROJECT SUBSIDY SCHEME - GRANTS FOR SPECIFIC TARGET GROUPS
1978-79 TO 1987-88**

TARGET GROUPS	1978/79		1979/80		1980/81		1981/82		1982/83	
	Grants	Funds	Grants	Funds	Grants	Funds	Grants	Funds	Grants	Funds
REFUGEES	8	31,000	11	31,800	9	35,100	7	20,500	12	38,277
WOMEN	13	41,428	6	19,600	5	12,700	5	10,700	7	28,432
AGED	2	10,000	6	19,300	7	23,000	6	8,430	5	18,528
YOUTH	-	-	-	-	-	-	-	-	-	-
DISABLED	-	-	-	-	-	-	3	14,900	1	6,200
UNIONS	2	8,000	2	9,000	3	14,500	3	14,910	3	7,790
FED. OF ECC	-	-	1	5,000	1	5,000	3	15,000	1	10,000
ECC	5	8,986	2	6,500	2	8,300	2	6,000	1	5,000
OTHER	18	50,586	19	58,800	24	51,400	25	59,560	25	81,768
MPSS	48	150,000	47	150,000	51	150,000	54	150,000	55	195,995

TARGET GROUPS	1983/84		1984/85		1985/86		1986/87		1987/88	
	Grants	Funds	Grants	Funds	Grants	Funds	Grants	Funds	Grants	Funds
REFUGEES	7	16,950	2	5,200	13	31,360	11	31,890	8	29,690
WOMEN	20	20,050	5	18,565	8	46,800	4	23,390	7	22,000
AGED	6	29,600	6	21,540	11	20,440	9	17,710	6	12,900
YOUTH	-	-	-	-	-	-	3	9,730	2	8,930
DISABLED	1	6,800	5	30,005	4	9,000	2	17,521	1	1,200
UNIONS	4	13,700	1	2,800	1	4,000	-	-	-	-
FED. OF ECC	-	-	-	-	-	-	1	6,000	2	18,500
ECC	4	20,300	5	12,605	4	21,100	2	8,040	3	12,890
OTHER	*	*	*	*	*	*	*	*	*	*
MPSS	*	*	*	*	*	*	*	*	*	*

Notes: Depending on target groups, some grants have been listed more than once.

* indicates information not provided.

Sources: 1978-79 to 1982-83, correspondence with Department of Immigration and Ethnic Affairs, March 1986.
1983-84 to 1987-88, correspondence with Department of Immigration, Local Government and Ethnic Affairs, June 1989.

TABLE 2: GRANTS TO TRADE UNIONS APPROVED BY THE MINISTER ON 7 JUNE 1989 UNDER THE MIGRANT WORKERS' PARTICIPATION SCHEME (MWPS)

Worker-based grants (equivalent to 12 grants)

1.	Textile, Clothing and Footwear Federation	Full grant for 3 years
2.	Labour Council of NSW	Full grant for 3 years
3.	Building Workers Industrial Union (National Office)	Full grant for 2 years
4.	Australian Railways Union (NSW Branch)	Full grant for 2 years
5.	Australian Council of Trade Unions (ACTU)	Full grant for 3 years
6.	Victorian Trades Hall Council	Full grant for 3 years
7.	National Union of Workers	Full grant for 3 years
8.	United Trades and Labour Council of SA	Full grant for 3 years
9.	Trades and Labour Council of WA	Half grant for 3 years
10.	Federated Ironworkers' Association of Australia (NSW)	Full grant for 2 years
11.	Joint application by: Australian Bushmakers' Union FIA and ASE (SA)	Full grant for 2 years
12.	Food Preservers Union of WA	Half grant for 2 years
13.	Federated Miscellaneous Workers Union - NAWU Branch (NT)	Full grant for 2 years

Project Grants (equivalent to 3 grants)

1.	Clothing and Allied Trades Union (NSW Branch)	One year project grant of \$20,000
2.	Hospital Employees' Federation (Victorian No. 1 Branch)	One year project grant of \$20,000
3.	Vehicle Builders Employees' Federation of Australia	One year project grant of \$20,000
4.	Hospital Employees Federation (Victorian No 2 Branch)	One year project grant of \$20,000
5.	Australian Workers' Union of Employees, Queensland	One year project grant of \$20,000
6.	Joint application by: Australian Railways Union Vic, Tramways Union (Vic) Amalgamated Metal Workers' Union	One year project grant of \$20,000

Source: Correspondence with DILGEA (June 1989).

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THE BATTLE OVER IDEAS: DEVELOPMENT OF SOCIAL SECURITY IN NEW ZEALAND - THE STORY OF PART OF A ROYAL COMMISSION

Mike O'Brien
Department of Social Policy and Social Work
Massey University

1. INTRODUCTION

One of the principal considerations in the activities of what we have come to call the 'welfare state' has been the control and sometimes the alleviation of poverty. The policies that have been developed, however, have been creatures wearing many garments. Throughout these policies one of the constantly recurring themes, and the one that I want to discuss in this paper, is and has been 'need'. 'Need' is universally referred to in the ideological struggle surrounding poverty and social security. In stating this argument in this fashion the implication clearly is that ideas are struggled over, they are not fixed and immutable. A central part of that struggle is the recreation of hegemony.¹ Ideas are struggled over and establishment of hegemony is a process of constant recreation. This paper will focus on 'need' because of its centrality, because it is the arena of crucial struggle.

We will be concentrating on a particular conjuncture, namely the Royal Commission on Social Security which reported in 1972. We will limit our attention to the arguments around 'need', or more precisely, particular aspects of that; time prevents us from doing anything else. The focus is on the arguments advanced to the Commission, and the response of that Commission. The conclusion will attempt to draw from this some implications for 'The Future of the Welfare State', at least as far as incomes policy is concerned. Increasing unemployment, increasing numbers reliant on supplementary assistance, deteriorating relationship between benefits and wages, decreases in the percentage of national income spent on benefits and a recommendation from the National Development Conference Committee Social and Cultural Committee are all part of the immediate backdrop. The NDC Committee recommended:

... an independent, penetrating examination of the social security system. (Report of the Social and Cultural Committee, p. 8)

The background discussion, to which there was one dissenter in the Committee, commented, *inter alia*:

This examination could well find, as some members of the community believe that some beneficiaries are getting more than they need, while others get too little. It is certainly true that some categories of beneficiaries deserve more help, while others would not suffer greatly if they had less. The proportion of social security money which goes to people in real need ought to be higher. (Report of the Social and Cultural Committee, p. 15)

The Commission was established later in the same year. The terms of reference are set out in Appendix One.² Lastly by way of introduction, a few brief comments on ideology are necessary.

Ideology has been a term of great popularity in the literature over the last decade. While a few have argued that ideology does not matter (Pinker, 1971; Jones et al., 1978) the dominant thrust has been in two directions. These are

1. This argument draws substantially on the arguments and work of Antonio Gramsci. See Hoare and Smith (1982) for a full elaboration of these arguments and ideas.
2. For an outline of some of the indicators of the existence of poverty in New Zealand at that time, see Department of Social Welfare (1975); Easton (1980; 1981); Public Service Association (1968); and Sutch (1971). Although some of these references are much later than the period referred to here, they deal with that period or present their arguments in such a way that it is comparatively easy to validly extrapolate to the earlier time.

the use of the term to classify alternative theoretical and political traditions³, and its use to explain the nature of the relationship between ideas and the social structure.⁴ Within this very broad delineation, there are of course, substantial differences.⁵

Very briefly, I want to use 'ideology' to refer to the relationships in a society, especially relationships of power and of domination and subordination. With this in mind, I want to draw attention particularly to the arguments of Thompson (1984). He puts the argument succinctly.

To study ideology is to study the ways in which meaning (signification) serves to sustain relations of domination. (Thompson, 1984, pp. 130-131)

His postulation of the 'ideology as domination' approach is even more neatly expressed in his introduction where he links the study of ideology with the study of power and especially asymmetrical relations of power (see Thompson, 1984, pp. 1-5).⁶

Secondly, ideology is conceptualised here as an arena of contest and struggle. The determinist and reductionist arguments that appear at times are rejected - ideas cannot simply be reduced to an economic base; nor can they be totally dissociated from that base. They are connected, but not in a simple cause-effect way.

Thirdly, some comment about ideology and social security is also necessary. Gough (1979) sets out clearly the ways in which individualism acts as a key element in the ideology of the welfare state in general and of social security in particular.⁷ Individualism emphasises the fundamental responsibility that each person has for his/her own destiny. Not only does it allow the successful and powerful to be revered for their individual efforts in securing that position, but it also means that those who have not succeeded are responsible for their own failure.

That ideology of individualism is strengthened in relation to social security beneficiaries by such mechanisms as the distinction between the deserving and undeserving poor, the use of means tests, the criticisms of beneficiaries as dependent, accusations of bludgers and workshy, and so on. The international literature on social security benefits is replete with examples and illustrations.⁸

Briefly then the task is to examine how 'need' is used - put simply, we would expect a thrust that regards 'need' as an individual property with an emphasis on the means test and an approach to 'the poor' that treats them as deviant

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3. This approach was used initially by George and Wilding (1976) in a publication that has served as the benchmark for a number of later publications.
 4. The work of authors such as Gough (1979), Ginsburg (1979) and Taylor-Gooby and Dale (1984) are three good examples in this area.
 5. For a detailed discussion of the ways that 'ideology' has been used in the social policy literature, and some of the implications of that, see O'Brien, 1989.
 6. Legitimation, dissimulation and reification are central terms in Thompson's discussion of ideology. Legitimation refers to appeals to strengthen the authority of a particular set of beliefs, dissimulation to the way(s) that ideology serves to hide particular interests, and reification to the way that events or ideas are divorced from their historical context and presented as eternal and natural (see Thompson, 1984).
 7. Since the state is so intimately linked up with ideology, it (the state) needs to be considered closely as we discuss the ideological struggle in which the Commission was located. Again, space prevents elaboration of this.
 8. For a fuller discussion see for example, Golding and Middleton (1982), Open University (1984a; 1984b; 1984c; Alcock, 1987).

outsiders. The oppositional ideology we would anticipate regarding 'need' as socially constructed, as arising from people's social context.

We would expect then that the struggle around the question of 'need' would be on the basis of whether it ('need') should be understood and acted on on the basis of individual or social considerations - is 'need' an individual property or does it arise out of a person's social nexus. The former means that individual responsibility is emphasised, means tests are a fundamental feature of social security. Approached from an individually based reference point, 'the poor' are treated as a deviant group who should be able to sort out their own affairs more satisfactorily. On the other hand, a social definition of 'need' pushes towards a structural explanation of poverty - 'need' arises from the social context in which people live their lives, not from individual weakness and failure.

2. SUBMISSIONS TO THE COMMISSION⁹

The arguments advanced to the Commission can be classified as covering three related matters, namely, the right to social security, universal provision of social security as the appropriate basis, and identification of need based on exploration of personal circumstances. Within this general area lie some of the fundamental questions around which social security and the provision of state assistance have struggled ever since social security was first established.¹⁰ The struggle is around universal and/or selective provision, a debate that has been extensive in the social policy literature (Titmuss, 1968; Reismann, 1977; Jones et al., 1978; and Castle, 1985).

While terms such as 'universal' and 'selective' were not necessarily used in the submissions and hearings, they were reflected in the ways that terms such as 'rights', and 'need' are used. 'Rights' was particularly used to emphasise both the absence of individual assessment and also as a basis for attacking the use of means tests. The arguments and debates were certainly pursued in many of the submissions. Lack of space prevents setting out all the arguments - illustrations will have to suffice. However it is important to draw attention to the heavy domination of a number of the forces of civil society (e.g. church, consumer associated groups, and the trade union movement) among those supporting the importance of universalism and the right to benefit, while more powerful interests such as the Chamber of Commerce and the Medical Association adopt an approach which emphasises individual eligibility much more heavily. Those who represented the weakest and most powerless gave the heaviest emphasis to the importance of a universal, rights based argument as the following quotations nicely reveal.

(W)hat distinguished the schemes of the 1930s and 1940s from their predecessors were the principles of universality. (Combined State Services Organisations, p. 2)

We believe that a humane society should and must guarantee to all its citizens an annual income sufficient for a decent standard of living. We believe also that this should be a matter of right and not a matter of 'charity' ... (Maori section, National Council of Churches in New Zealand, p. 1)

The original purpose of the Social Security Act was to eliminate poverty and promote human dignity ... These benefits should be received as of right. (YWCA of New Zealand, p. 1)

9. Submissions from which quotations are taken will be simply attributed to the body making the submission.

10. These debates have been part of social security since its introduction in New Zealand. For a fuller discussion, see Oliver, 1981.

The 'rights' argument was well summarised by Easton in his submission:

... entitlement is seen as a 'right by citizenship' and must be contrasted with the Poor Law view ... and the principle of 'right by contribution' ... (Easton, p. 3)

The above explains why the New Zealand social security system cannot be based upon a 'right by poverty'.

The contra arguments were well articulated by groups such as the Chamber of Commerce and the Medical Association.

In an ideal situation, income maintenance is achieved by means of adequate returns to business enterprise, full employment, and a price level which is not so unstable as to diminish unduly the purchasing power of pensions, money savings and the income from money savings. It is then necessary to deal only with cases of misfortune. (Chamber of Commerce, p. 5)

The Royal Commission will have to enquire whether the principle of universality can be retained. The alternative is to link benefits with income. (Medical Association of New Zealand, p. 2)

A second aspect touched on in passing earlier surrounds the implications for social security recipients of the way that 'need' is used. Put briefly, those who emphasised rights expressed strong views about the danger of beneficiaries being treated as outsiders who do not belong while those who stressed individual assessment approached beneficiaries in a much more paternalistic, charity mode. The comments from the Chamber of Commerce above reflect this well - beneficiaries are 'unfortunates'. The approach was captured even more graphically by the Medical Association; the poor are clearly very outside:

Poverty can be categorised into insular poverty and case poverty; insular poverty being associated with those who, because of language difficulties, ethnic ties and custom, tend to group together in enclaves typified by the Polynesians in Auckland and the rural Maori. Case poverty is of course commonly associated with abuse of alcohol or drugs, mental deficiency or fecklessness, and perhaps to a lesser extent, an uncontrolled propensity towards procreation. (Medical Association of New Zealand, p. 2)

It is the Methodist Church which captured the counter argument well.

Instead of the concept of universal social insurance, the idea of a system applicable only to special categories of the population, or 'dependent groups' has developed ... (E)veryone participates ... and we therefore set aside any exclusive idea of a poor group of society needing support. (Methodist Church of New Zealand, p. 6)

This concept of universal response to 'need' was pursued by a number of other submissions; again, not surprisingly, the powerful interests were the most antagonistic, while those closest to beneficiaries constantly stressed the importance of universalism, and the inadequacies and destructiveness of the means test as a tool for assessing 'need' - a couple of quotes will illustrate:

We can see no justification for the principle of universality of benefits at the highest level. We believe that a flexible system of supplementary benefits, concentrated at points of need, should support standard benefits at a level which would encourage self reliance. (Medical Association of New Zealand, p. 3)

(T)here are aspects of social insurance which tend to balance the somewhat restrictive notion of satisfying need which dominates the present system. Put another way, the result is that the majority receive a benefit which is to some extent based on earnings and is, therefore, a right rather than a charity. Such a system contains all citizens within its orbit and thus is community-oriented. (Medical Association of New Zealand, pp. 3-4)

In summary then, the evidence suggests that as far as the submissions to the Commission were concerned, rights, universalism, and absence of individual assessment to establish 'need' were the most frequently expressed arguments. Of course, these represent challenges (to varying degrees of intensity) to the hegemonic dominance expressed by groups such as the Medical Association and the Associated Chambers of Commerce. Thus far I have concentrated on the submissions from civil society. I want now to move briefly to the arguments from the state, or what Gramsci calls 'political society'. In the context of this paper, the important question becomes - how did the state (represented by the Department of Social Security) propose to respond to 'need'.

3. DEPARTMENT OF SOCIAL SECURITY ARGUMENTS

The Department of Social Security was the Government Department responsible for payment of benefits at the time of the Commission's work. As such it prepared twenty-one background papers and submissions for the Commission. The arguments below are drawn from those papers and submissions. In early discussion papers, the Department set out four possible objectives for a social security system (e.g. Department of Social Security, 1970b). These were life and health, belonging and participating, equality of economic well-being and security of status. Criteria could, it was argued, be established to ascertain whether those objectives had been met and 'need' reflected the gap between the objective established and the situation of a given person.

A person can be described as being in need only when he is falling short of some standard and it is essential to know this standard. Only when the standard ... is known, can 'need' be defined as the difference between the state of affairs that exists and the level set by the objective. (Department of Social Security, 1970a, p. 6)

'Need' is then linked with this gap for each of the objectives; 'needs' are seen to operate only at an individual level. It is:

a helplessness or lack of control by the individual over the situation which brought about the need or in the situation of need itself. (Department of Social Security, 1970c, p. 17)

which leads to the development of income maintenance programs.

Throughout the discussion of how to create an adequate income maintenance program that would produce 'an adequate standard of living' (one of the Department's key phrases), society is constantly seen as simply the sum of the individual members (Department of Social Security, 1970d, p. 8), while the state represents the interests of individuals and indeed of all individuals (Department of Social Security, 1970d, p. 12).

When outlining alternative organisational possibilities for providing income maintenance, Departmental submissions, not surprisingly, return to 'need' as central.

The prime determinant for the receipt of a benefit under an income maintenance program such as social security ... is need. 'Need' has been defined in previous papers as the difference between a state referred to by an objective which has not been attained and an individual's current state. (Department of Social Security, 1970e, p. 2)

'Need' can, they argue, after a lengthy and incomplete review of alternatives, be best ascertained by some form of what they rather euphemistically call 'resource tested benefits' (Department of Social Security, 1970e, p. 3).

Universal categorical systems are notorious for their inefficient use of resources in that they do not relate benefits to the amount of need and in that they provide benefits, usually on a substantial scale, to those not in need at all ... This inefficiency in attaining relevant objectives can be of such proportions as to restrict the effectiveness of level of the benefits provided. (Department of Social Security, 1970e, p. 22)

The argument goes on to support the importance of individual assessment of need with the following quote from Merriam, written incidentally in 1946.

Obviously the cost of benefits paid to all without any means tests is greater than the cost of benefits paid only to those in need. Equally obvious is the fact that it costs more to provide each person with a minimum of subsistence regardless of his need than to give to a person in need only such sums as may be necessary in addition to what he already has to bring his total resources to a minimum of subsistence. In other words, the no-means test system increases both the number of beneficiaries and the average amount paid to each beneficiary. (Quoted from Merriam (1946))

4. COMMISSION RESPONSE

Given the ideological contest that had gone on, how then did the Commission respond - what were its arguments about the nature of 'need' and how best to ensure that 'need' was adequately met? Once again it is necessary to be brief; fortunately there was a very consistent stream to their argument. 'Need' should be assessed on an individual basis - this theme was repeated again and again, as the quotations below illustrate very well. Certainly there is some passing recognition that there is a place for some limited universal benefits, but this is very much a secondary consideration. Their general approach is well reflected in their statement of general principles where the word 'need' is used (in an unproblematic fashion) on nine occasions, and is incorporated into three of the six basic principles.

The Commission clearly favoured a selective approach:

(If any general trend can be discerned it is towards more selectivity, better income redistribution techniques, and better identification of need. (Royal Commission Report, p. 11)

It is also clear that for living standards to be 'adequate', social security must be directed primarily to those who need help. To distinguish their needs is essential if financial resources are to be used properly and efficiently. (Royal Commission Report, p. 8)

The individualised nature of this assessment is clear:

A social security system designed to achieve the aims we refer to ... necessarily involves testing for individual need and income. This cannot be done merely by selecting categories which are likely to contain people in need of help, such as the aged or disabled. (emphasis in original)

Again and again the theme that is stressed is the need for individual assessment of income and resources, in order to meet need. Not surprisingly, the strengths of selectivity are seen to be the weaknesses of the universal approach.

(If levels of community-financed aid are to be determined primarily by need within the dependent categories (as we think it should), some measure of relative poverty must be attempted, and some standard of 'adequacy' of benefit payments must be devised which takes account of the individual's or the family's own resources. To accept the principle of basing assistance on need clearly demands some sort of system for testing need. As we have noted, 'need' relates to the 'adequacy' of income to give a 'reasonable' standard of living compared to that enjoyed by most of the community ... Thus any categorical system of social security which, as in New Zealand, stresses meeting need must be selective, flexible and somewhat more discretionary in its administration than might otherwise be necessary. It is in this context that the use of income or means test, and supplementary assistance, have to be considered. (Royal Commission Report, p. 107) (emphasis in original)

The reason is obvious - if a benefit is paid to all individuals in a given category irrespective of their incomes or needs, the cost of paying the benefit at a level which is adequate for those who are in need becomes too high. The result too often is that the benefit level is held down below the level of adequacy. (Royal Commission Report, p. 134).

If the social security system is to be basically selective for relative need, some test of the nature and extent of individual need compared with individual resources is necessary. (Royal Commission Report, p. 139).

5. CONCLUSION: WHO WON? IDEOLOGY AND HEGEMONY REVISITED

From the vantage of the argument being advanced in this paper, we find here then clear evidence of an emphasis on an **individually** based assessment of poverty and of 'need' - being in need can only be assessed on an individual basis (or at least predominantly so) and poverty then becomes individualised. Indeed there is hardly any contest, at least as far as the Report goes. Certainly the arguments of most of those from civil society were clearly adopting a different approach. For them rights were critical, not personalised assessment. Theirs, however, was clearly not the approach which prevailed.

As noted in the earlier part of this paper, by personalising 'need', it ('need') becomes stripped of any context and remains entirely the property of the individual who experiences 'need'. It becomes possible to provide social security, and some minimum income in a way that is totally devoid of and separated from the context in which that need is constructed and created in the first place; in fact the possibility that there might be such a context is not even considered. Poverty and need are individualised constructs. The Commission Report strongly reflects and reinforces the hegemony that is part of poverty and of social security in a capitalist economic order. In the ideological struggle, those attempting to create a war of position are singularly unsuccessful.

Individualised approaches to need reinforce the benevolent state - the state cares for **all individuals** within its boundaries, and indeed does so **individually**. As was argued at the beginning, the ideas about the society are reinforced by such an approach - it is the ideas of the powerful interests that prevail. 'Need' is then a powerful hegemonic concept. This does not mean, of course, that such ideas are simply false consciousness and all that is required is to remove the masks and all will be revealed - the ideas do speak to the realities experienced by many who would have no income without state intervention. Similarly, the activities of the media and other interests reinforce this by their presentation of the successes of those who have little or nothing - they can 'make it' and so therefore could others with similar effort. Thompson's three core terms set out at the beginning become quite useful here; there may be a contest but it is rather uneven. Those three terms do not in and of themselves however produce immediate action planks - I want to conclude with a few brief comments on that front.

6. WHAT IS TO BE DONE?

Since the struggle is primarily around the analysis of the nature of society and how opportunities and access to resources are distributed, it is here that the war of position must be entered into. This means therefore that the systematic and structural nature of inequality must be **constantly** emphasised and re-emphasised. Inequality is not a property of a deviant and inadequate few, but rather is inherent in the way that the society operates. It is from here that the social nature and basis of need arises, not from 'individual' gaps between objectives and personal situations.

Secondly, we need to alter the ground on which struggle occurs. The current push in New Zealand - which takes some of its roots from the 1972 Commission Report - is towards greater individualisation, euphemistically known as 'targeting'. As the 1972 Commission did, the argument is usually advanced that this would allow for more efficient use of resources, and lead to higher payments because more funds would then be available. The historical reality of this is well expressed by Castles (1985) as he demonstrates that selective benefits have generally led in fact to **lower** benefit levels. It is vital that we begin again to describe targeting for what it is - means tests. There is a vast range of international experience which clearly reveals these to be mean as well as tests of means.

It is not appropriate to simply attempt to recreate the welfare state of the 1950s and 1960s - for all its strengths too much of it was built on sexist, racist and elitist divisions, and I would not want to repeat those. Rather we need to push forward, and I want to suggest that one central plank in such a push is the right to an adequate basic income for all. That would be a good starting point, and done effectively would represent significant progress in the ideological struggles around income and income distribution.

APPENDIX

TERMS OF REFERENCE - ROYAL COMMISSION ON SOCIAL SECURITY IN NEW ZEALAND:

to be a Commission to receive representations upon, inquire into, investigate, and report upon the social security legislation and related legislation, in New Zealand; and, in particular, to receive representations upon, inquire into, investigate, and report upon the following matters:

1. The principles upon which the present social security scheme of monetary benefits and supplementary assistance are based and their relevance in changing social and economic conditions;
2. Any changes considered desirable in the structure, coverage, and administration of monetary benefits and supplementary assistance.
3. The criteria which should be used for determining rates of and qualifications for monetary benefits and supplementary assistance, including the means of meeting need.
4. The extent (if any) to which monetary benefits should be subject to taxation.
5. The relationship between any proposals or recommendations you may make, and any pensions or allowances payable under the war pensions legislation that would, in your opinion, be affected by such proposals or recommendations.
6. The relationship between social security monetary benefits, and other allied social services, and other schemes of income maintenance.
7. Any changes considered to be desirable to the nature and extent of medical, specialist, and pharmaceutical benefits, and the criteria for determining entitlement thereto.
8. Any associate matters that may be thought by you to be relevant to the general objects of the inquiry.

And, further, in carrying out this inquiry, we desire you to have regard to the necessity of ensuring that the resources expended under the social security system are used to best advantage for the maintenance of adequate living and health standards consistent with the development of the economy and with other demands on resources. (Royal Commission Report, pp. xii - xiii).

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MARKETS AND THE STATE: SUPPORT FOR PUBLIC AND PRIVATE WELFARE IN AUSTRALIA*

Elim Papadakis
Department of Political Science
Australian National University

This paper maps out some of the political dimensions of support for public and private welfare. It does not examine in any detail the complex relationships between support for the welfare state and demographic, social and economic factors as well as a range of political issues; these issues do, however, form part of a long-term project. I will draw attention to some of the aims of this project insofar as they impinge on this paper.

The relationship between public opinion and policy is important for several reasons, not least because evidence of support for or opposition to the welfare state, is central to the legitimacy both of the institutions themselves and the parties that operate through these institutions. Shifts in public opinion reflect deep-seated changes in the economic and ideological basis for welfare politics. Attempts by governments in all OECD countries to adjust to the economic constraints on welfare expenditure have led to a reassessment of the basis for welfare provision, of the links between welfare and the state and of the public and private dimensions of service delivery (Papadakis and Taylor-Gooby, 1987). Although conflict over redistribution and values has always been a feature of the development of the welfare state, the intensity of conflict over resources and the ideas for social change has increased markedly. As Gruen (1989) has pointed out, one consequence of these conflicts has been that the advocates of a reduction in universal provision appear to have gained the upper hand. However, the parameters of discussion over the future direction of the welfare state may have shifted or been refined to such a degree that a new vocabulary is required to discuss conflicts between universal and residual models, or choices between markets and the state (Papadakis, 1990).

Political and social analysts have tended to accept the gloomy forecasts for the development of the welfare state into the 1990s. This pessimism is based partly on public opinion studies which show a significant decline in support for further expenditure on social services since the late 1960s. Some have argued that Australians have initiated a massive backlash against the welfare state (Stretton, 1980). The Labor Party, the obvious vehicle for any attempt to broaden the basis for social welfare, has had other priorities during this century and encountered working class resistance to reform (Castles, 1985). The Whitlam government ran out of time when it sought to reverse this trend and the Hawke government has, according to some critics, endorsed a laborist and economic rather than social democratic and universalist approach (Macintyre, 1986). Explanations for the lack of welfare generosity have focused on the institutionalisation of attitudes, long-term right-wing political hegemony and relatively poor economic growth (Castles, 1987). Some have taken the opposite view that the Australian public has, for decades, favoured generous, universal, contributory welfare provision (Smith and Wearing, 1987).

Although this paper does not aim to test fully these hypotheses, it does attempt to address some of the presuppositions underlying discussions of public attitudes and the welfare state in Australia. The first difficulty is the tendency to assume that general ideological beliefs are directly associated with views on social policy; the second, is simply the lack of consideration given to areas other than social services like health care and education which involve major outlays in public expenditure; the third, is the absence of comparisons between ideas about both public and private sources of provision; the fourth, (which is only alluded to indirectly in this paper) is the lack of systematic comparison between Australia and other countries. This paper presents some preliminary findings from a national survey that

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attempts to tackle some of these limitations by examining public attitudes on public and private provision.¹ In particular, it examines the relationship between attitudes and political parties, since the latter play a central role both in articulating and moulding these opinions.

Table 1 allows us to apply the broader framework to analyse support for welfare spending versus tax cuts. Column one confirms the fears of the pessimists, with only 28 per cent in favour of more spending on social services. Columns two and three partially support the optimists in their estimation of public endorsement of universal services; 52 per cent and 54 per cent were in favour of more spending on health care and education, respectively. It could be argued that these results do not diverge as significantly as one might at first assume from those reported in well-established welfare states. In surveys carried out in the United Kingdom the question on taxes and spending includes social services, health care and education in the same sentence. Support for an increase in taxes and more spending has been steady at around 40 per cent. There is of course a problem in comparing the results of differently worded questions. A simple average of the data presented in the three columns of Table 1 would produce a result similar to the ones reported in the United Kingdom. However, the sentiment against taxes appears to be stronger in Australia. Support for reducing taxes (68%, 46% and 44% in relation to social services, health care and education, respectively) is not shared by respondents in the United Kingdom, where support for a reduction in taxes and less expenditure on all three services has ranged from 5 per cent to 16 per cent.

These results highlight the different bases for public attitudes to welfare spending and tax cuts in these two countries. There are also significant differences *within* Australian politics which merit further attention. In their programs, the major parties have offered distinctive interpretations of and solutions to the uncertainties surrounding the future of the welfare state.

Although all parties espouse a mixed system of health care, for Labor access to public hospitals is a right for all citizens. In addition to the commitment to Medicare, there have been pledges to 'control the growth of, and public expenditure on, the private hospital sector' (Labor Party, 1986, p. 157). The 1986 and 1988 platforms expressed opposition to the expansion of foreign-owned private health facilities since they played 'no positive role'. The Liberal and National parties, in contrast, have portrayed Medicare as a disincentive to self-provision and to competition and efficiency; under their government it would act as a safety net for disadvantaged groups. Freedom of choice is evoked as a guiding principle. In order to facilitate this, it is argued that those who 'are prepared to make a realistic contribution to their health care costs should not be penalised by having to pay twice over - for themselves and for those who could pay but choose to pay only the Medicare Levy and then rely on the additional funds contributed by all taxpayers for their needs' (Liberal Party and National Party, 1988, p. 20). **The role of government would apparently be reduced considerably.**

The theme of freedom of choice is extended to the sphere of education; in addition, the Liberal and National Parties stress the importance of parental influence and the raising of standards. Schools would not experience a decline in funding if resource levels were raised 'through private effort' (Liberal Party and National Party, 1988, p. 23). It is argued that the preoccupation by Labor with equality has undermined opportunity (including opportunity for talented but disadvantaged pupils). However, the Labor Party has not been as overly concerned with the 'dogma' of universal, free education as suggested by the Liberal and National Parties; rather, there has been a sharper focus on the 'relevance' of education to 'contemporary society and the economy', to producing 'flexibly trained, generally knowledgeable and competent people who are able to be involved in the control and improvement of working life' (Labor Party, 1988, p. 63). Freedom of choice and expansion of the private sector does not, however, play a significant role in this scheme.

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1. The design of this survey both replicates and extends the framework used in a previous study of attitudes to welfare directed by Peter Taylor-Gooby in collaboration with Elim Papadakis. The findings reported in this paper are based on a national mail survey of public attitudes to state and private welfare, particularly to health care, education and provision for retirement. A systematic random sample of 3,500 names and addresses was drawn from the electoral rolls. The response rate of 62 per cent represents 1,814 replies, after excluding 'non-contacts' (mainly people who had moved away from a particular address). The findings of the survey, along with details of its design and completion, will be available from the author and the Social Policy Research Centre in the near future.

TABLE 1: WELFARE SPENDING VERSUS TAX CUTS (%)

	Social Services	Health Care	Education
Strongly favour reducing taxes	46	27	25
Mildly favour reducing taxes	22	19	19
Mildly favour spending more on ...	14	27	30
Strongly favour spending more on ...	14	25	24
Don't know	3	3	3
N =	1807	1807	1807

In relation to social services, there is an emphasis by both parties on efficient and effective targeting of resources. However, the Liberals and Nationals have developed **moral** arguments about the failure of the social services and dependency on the state:

Over the years, the increase in dependence of individuals on the government resulted in a situation where for every two people in the workforce one other person became dependent on them for their well-being. Welfare changed from a system of support for the needy to one where everyone believed they were entitled to something. Young people became vulnerable to welfare benefits which seemed to provide more incentive to become unemployed than continue with their education, and which encouraged others to leave their family home. (Liberal Party and National Party, 1988, p. 72)

The Labor Party has responded to this sort of criticism by extending the mechanisms for detecting fraudulent claims by social security recipients. In contrast to the Liberal and National Parties, the elimination of poverty and the reduction of inequality have remained key themes of its approach to social security.

These divisions are partly reflected in the ambiguity surrounding popular perceptions of state and private welfare. The public and private dimensions of support for health care, education and old age pensions/superannuation are shown in Table 2. Although a considerable proportion of respondents have ranked state health care, education and pensions as very important and important, there is equally powerful support for the private sector. (This is in clear and understandable contrast to countries where the private sector in health care and education has only played a marginal role.) However, support for government health care is more marked among Labor than Liberal and National Party voters. The differences over government education and over old age pensions and superannuation are less pronounced. Support for private health care and private education is appreciably greater among Liberal and National voters than among Labor ones.

There is some correspondence between the stance taken by major parties over taxes and spending and the expansion of the private sector and the direction of public opinion as illustrated in Table 3. Fifty-five per cent of Liberal supporters expressed a strong preference for reducing taxes rather than spending more on social security benefits in contrast to 40 per cent of Labor supporters; similar differences applied to health care (32% and 21%, respectively) and to education (32% and 19%, respectively). The differences reflect a modest, but quite distinct, association between party support and views on taxes and spending. A similar, though more pronounced trend, emerges in attitudes to the expansion of

the private sector in health care and education, with 65 per cent of Liberal supporters in favour of the expansion of the private sector in health care in contrast to 38 per cent of Labor supporters.

In order to evaluate consistency of attitudes for and against the welfare state a distinction has been drawn between outright supporters (who want more spent on a particular service and are opposed to private expansion) and supporters of a mixed system (who want more spent on the welfare state and favour private expansion or do not want more spent but are opposed to private expansion or want more spent but are unsure about private expansion) and opponents of the welfare state (who do not want more spent and are for private expansion). (A small proportion of respondents did not fit into the above categories.) The contrast between Labor and Liberal supporters is noticeable on the pro- and anti-welfare state dimensions both in health care and education, although similar proportions support a mixed economy approach.

In view of the earlier discussion on support for taxes versus spending in the United Kingdom and Australia, it is not surprising to find that Australians across all parties are far less supportive of a pure welfare state than the British. None the less, underlying these differences are some striking similarities in the commitment expressed by supporters of conservative and socialist/social democratic parties in both countries to the different versions of the welfare state presented in Table 4 (see also Taylor-Gooby, 1987).

This paper has suggested that there is an association between party programs and support for state and private welfare among voters. This corresponds with work done in other countries and contexts on the limited association between changing ideologies and views on specific social policies (see Ringen, 1987). It would naturally be absurd to suggest that, in a representative democracy, there could ever be total correspondence between public policy and public opinion. Backlash against the welfare state is strongest in relation to social services and to significant minorities attracted to the Liberal and National Parties. Support for the welfare state, particularly among Labor supporters, though significant in health care and education, is less powerful than in the United Kingdom. Explanations for this may include the legacy of past compromises over social and economic policy as well as the important role played by the private sector, particularly in health care.² None the less, the divisions in attitudes (particularly over support for private versus state welfare and to a lesser degree between a conservative and a social democratic orientation) suggest both conflict and uncertainty over the future direction of the welfare state. The next stage of the analysis will therefore explore patterns and sources of discontent within it.

2. At this stage of the analysis the Catholic education sector has not been included; its distinct position in the education system merits special consideration outside the scope of this paper.

TABLE 2: ATTITUDES TO WELFARE AND PARTY IDENTIFICATION (%)

Generally speaking, in federal politics do you usually think of yourself as ...

	Liberal/National	Labor	Democrats/NDP
JUDGEMENT OF IMPORTANCE			
Government health care			
Very	42	61	47
Fairly	32	29	38
Government schools			
Very	61	68	58
Fairly	30	23	33
Old age pensions			
Very	56	63	60
Fairly	31	28	31
Private health care			
Very	75	50	63
Fairly	19	34	27
Private schools			
Very	48	32	32
Fairly	39	40	42
Superannuation			
Very	55	56	49
Fairly	36	36	43
N=	716	720	94

TABLE 3: PARTY IDENTIFICATION AND WELFARE POLICIES

Social Services				
	Lib/Nat	Labor	Democrats/NDP	Whole Sample
Strongly favour reducing taxes	55	40	44	47
Mildly favour reducing taxes	27	21	21	24
Mildly favour spending more on ...	11	18	19	15
Strongly favour spending more on ...	7	21	15	15
N=	713	728	97	1561
Health Care				
Strongly favour reducing taxes	32	21	26	27
Mildly favour reducing taxes	23	16	19	19
Mildly favour spending more on...	26	31	29	28
Strongly favour spending more on...	19	32	26	26
N=	714	726	97	1558
Education				
Strongly favour reducing taxes	32	19	23	25
Mildly favour reducing taxes	22	16	22	19
Mildly favour spending more on...	30	34	32	32
Strongly favour spending more on...	17	31	24	24
N=	716	724	96	1560
EXPAND PRIVATE SECTOR ... HEALTH CARE				
Strongly agree	23	9	10	15
Agree	42	29	31	35
Disagree	9	25	15	17
Strongly disagree	2	6	4	4
Not sure	25	31	40	29
N=	715	719	96	1555
EXPAND PRIVATE SECTOR ... EDUCATION				
Strongly agree	13	5	5	9
Agree	26	15	20	21
Disagree	25	35	31	30
Strongly disagree	5	13	9	9
Not sure	32	32	35	32
N=	702	704	88	1518

TABLE 4: SUPPORT FOR AND OPPOSITION TO THE WELFARE STATE (HEALTH) AND PARTY IDENTIFICATION

		Lib/Nat	Lab	AD	Whole Sample
1)	no welfare state	36	14	19	25
2)	mixed economy	46	53	55	50
3)	pure welfare state	5	21	10	13
4)	other	13	12	16	12
N =		701	707	82	1525

Notes:

- 1) don't spend more and private expansion
- 2) spend more and private expansion; don't spend more and no private expansion; spend more and unsure about private expansion
- 3) spend more and no private expansion
- 4) don't spend more and unsure about private expansion

SUPPORT FOR AND OPPOSITION TO THE WELFARE STATE (EDUCATION) AND PARTY IDENTIFICATION

		Lib/Nat	Lab	AD	Whole Sample
1)	no welfare state	21	8	12	14
2)	mixed economy	45	48	52	46
3)	pure welfare state	16	33	25	25
4)	other	19	11	12	15
N =		695	695	74	1500

Notes:

- 1) don't spend more and private expansion
- 2) spend more and private expansion; don't spend more and no private expansion; spend more and unsure about private expansion
- 3) spend more and no private expansion
- 4) don't spend more and unsure about private expansion

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THE AUSTRALIAN WELFARE STATE UNDER COALITION GOVERNMENT: REMEMBERING THE 'FORGOTTEN PEOPLE'

Ardel Shamsullah
Bendigo College of Advanced Education

With the welfare state under attack and the associated 'Keynesian consensus' repudiated the field of social policy has become an arena for vigorous debate. The importance of ideology in contemporary responses to social policy is difficult to ignore. Considering its responsibility for the management of policy, the ideological character of the government of the day merits attention.

The primary focus of this paper is on the period prior to the backlash against the welfare state which arose during the Whitlam and Fraser years.¹ It is concerned with social policy between 1949-1972, a time that could be considered the halcyon years of the welfare state, when the concept internationally enjoyed broad (if shallow) support and the economic climate helped to avert conflict over the diversion of resources to the public sector. During this time the Australian welfare state was forged. The distinctive features which remain integral to it were established. Not coincidentally, the period was distinguished by the anti-Labor coalition parties' dominance of federal office. Conservative governments thus presided over the Australian welfare state during the decades of its consolidation. Despite this fact, their role in the determination of social policy has not received adequate recognition. Observers have tended to depict this era of social policy as one of incremental change, where programs were gradually adapted to meet identified deficiencies in specific areas. More critically, coalition governments are attacked for a lack of social awareness which produced allegedly *ad hoc* and inconsistent policies. Dickey thus refers to a 'social welfare system erected in willy-nilly hotch-potch fashion by a succession of Liberal Prime Ministers' (Dickey, 1987, p. 167).

Pervading most discussions of Australian social policy is a recognition that Australia's welfare state differs significantly from those of northern and western Europe, the 'heartland' of the welfare state. Australia is seen to have developed a distinctly 'residual' model of the welfare state which basically provides assistance to those for whom the private market has proved unsuitable. Moreover, the assistance provided is considered unduly austere. Although, as shall be argued, the Australian welfare state is not entirely residual in character, it does appear relatively attenuated when international comparisons of social expenditures are made.² This represents a remarkable reversal in Australia's social policy reputation. At the turn of the century Australia was renowned as a social innovator but came to be regarded as a 'laggard' during the post war hey-day of the welfare state (Castles, 1987).

In seeking to explain the exceptional nature of the modern Australian welfare state a number of factors have been identified but most interest has focused on the labour movement's adoption of a strategy of 'social justice' based upon the securing of full employment at 'fair and reasonable' wages (Castles, 1987; Macintyre, 1985). Without discounting this factor, it is argued that the ascendancy of the coalition parties in the period 1949-1972 was crucial in the construction of Australia's distinctive welfare state. Menzies inherited an inchoate welfare state in 1949, despite the flurry of activity which occurred under Labor in the 1940s. An incomplete patchwork of social security programs was in place, but other social functions largely remained under the sway of private enterprise, state governments and the voluntary agencies. It was under the governments of Menzies, Holt, Gorton and McMahon that the range of national programs, however imperfect, expected of a welfare state were established.

Assuming office at the beginning of an era of prosperity which would allow governments considerable scope for initiative, the Menzies Government and its successors carefully built Australia's welfare state in the form desired, albeit upon the foundations established by previous governments (and this too could be seen as a deliberate choice). The social policies were implemented sporadically. The governments lacked any explicit visionary program under which social policy was subsumed. Nonetheless, they were conscious of values to which social policy should

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1. It is worth noting that the contrast between Whitlam and Fraser Government approaches encouraged analyses of policy along the configurations of partisan government (Patience and Head, 1979; Scotton and Ferber, 1978 and 1980).
 2. Australia's social spending as a percentage of GDP saw it ranked fifteenth out of seventeen OECD nations for the period 1960-73, and sixteenth for the period since then; see data provided in Castles (1988), p. 32.

conform, of goals which it should promote. Essentially, the social policy record of the governments between 1949-1972 reflects the ideology of the coalition parties. The conservative parties sought a welfare state which upheld cherished values and promoted desired behaviour while discouraging reliance on the state. They did not want an expansive welfare state which supplants private sector providers of social goods and services and which, in the name of equality, attempts a redistribution of wealth from the 'deserving' middle class, the 'forgotten people' eulogised by Menzies, to the 'undeserving'.³ Instead, the coalition parties sought just the sort of welfare state, basically residual but sensitive also to middle class circumstances, that was established in Australia in the post-war period.⁴

In suggesting that the ideology of the parties in office has driven social policy the notion that the coalition parties have merely behaved as reactionary 'parties of resistance' is rejected (Hancock, 1961). Certainly, they have shown less zeal for reform than their Labor rival, but they have nevertheless been creative in their policy-making. It is beside the point to object that coalition policies have been inappropriate, or to complain that Liberal Country Party (LCP) Governments failed to take the opportunity to expand the post-war welfare state in Australia. In terms of fulfilling party objectives the social policies of these governments can be considered successful. As we shall see, different, more stringent expectations held since 1975 have made similar judgements less likely, whether applied to the previous Fraser government or a prospective Peacock one.

In order to appreciate the character of the Australian welfare state, the ideologies of the governing anti-Labor parties must be examined. It appears that the Country Party (now the National Party) lacks a distinctive social philosophy, but ministers drawn from its ranks have conspicuously upheld the ideals formulated by their Liberal partners.⁵ Hence, in terms of sponsoring and justifying social policies, the coalition parties have revealed a unanimity of purpose, but the ideological framework informing these policies is most clearly revealed in Liberal Party statements. These statements include the pronouncements of the party platforms and the speeches made by leading Liberals over the years. Also significant are the justifications made by both Liberal and Country Party ministers for particular social policies at the time of their introduction. An examination of this vast body of material enables a picture of the Coalition's social vision to be drawn. A study of the social policy record of Coalition Governments between 1949-1972 indicates that this vision was translated into the construction of the characteristic Australian welfare state.

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3. Menzies' 1942 'Forgotten People' broadcast can be considered the seminal statement of anti-Labor social philosophy. In it Menzies dedicates his political career to the protection of the 'forgotten class - the middle class ... the backbone of this country'; see Menzies (1942).
 4. One could argue that the dynamic force in social policy was not the ideology of the conservative parties but an irresistible political culture. Kemp suggests that there is an 'Australian consensus' applicable to social policies and social expenditures which has been best reflected in Australian politics by the Liberal/Country parties; see Kemp (1980). On the other hand, Tulloch (1983) sees the anti-Labor parties reflecting the hegemonic values of the capitalist class.

There is little evidence to support the suggestion that the Australian public has been in command of social policy directions. An analysis of public opinion since the 1940s indicates that government welfare policies have consistently been at odds with majority wishes, see Smith and Wearing (1987).

The danger of interpreting the ascendancy of the coalition parties as an endorsement of their social policies should be obvious. In the simple terms of electoral support, Labor remained popular, averaging 46 per cent of the primary vote between 1949-1972. The long period of LCP Government therefore cannot be taken to constitute the hegemony of anti-Labor ideology.

5. It seems that the Country Party is less philosophical in its politics. This is exemplified by comparing the parties' recent official reassessments - the Liberals' 'Valder report' and the National Party's 'Nixon report'. The Valder report was strident in its assertion of ideological values and in its insistence on 'winning the battle of ideas'; see Committee of Review of the Liberal Party of Australia, (1983), p. 55. The Nixon report, on the other hand, concentrated on tactics to counter the electoral vulnerability of the National Party. Party philosophy was not deemed worthy of discussion; see Committee of Review into the Future Direction of the National Party of Australia (1988).

'Initiative, incentive and self-help' was the ideological trinity behind the policies of the Menzies, Holt, Gorton and McMahon Governments. Government activity often seemed to be based on the maxim 'help those who help themselves.' The state's role was allowed to be extensive, provided that the purpose of intervention was the promotion of private enterprise and personal responsibility. The role of the welfare state was circumscribed, not because the public demanded this, nor because the affluence of Australia made an interventionist public sector palpably unnecessary, but because the Liberal and Country parties were antipathetic to the ideals of welfare statism.

When the Liberal Party emerged in the 1940s it immediately embraced the Keynesian idea of demand management in a 'mixed economy' (Menzies/Liberal Party of Australia, 1944, p. 12). The *laissez faire* philosophy, never strong in Australia, was eschewed in favour of a 'partnership' between the state and the private sector which would bring an ever-rising standard of living (Liberal Federal Platform, 1946). Nevertheless, Liberal ideology exhibited a hostility to the welfare state, rejecting the vigorous, redistributive role for the public sector which the concept suggested. Guaranteed 'cradle to the grave' assistance from the state tended to be regarded as a socialist measure, incompatible with Australian Liberalism. It was seen to undermine the sturdy self-reliance, the combination of individual endeavour and thrift, which was the basis of 'true' social security. Thus, Menzies execrated the welfare statist approach which perpetuates 'the notion that security is independent of individual effort' (Menzies, 1949, p. 12). He was 'to insist that the first duty of every man is to do his utmost to stand on his own feet, to form his own judgements and to accept his own responsibilities' (Menzies, 1958, p. 221).

Although recoiling from the expansive welfare state, the notion of a 'safety net' to keep the needy from destitution was integral to Liberal ideology. The net, however, must be slung at a low level to discourage people from preferring welfare to self-reliance, and it should be made readily available only to those whose poverty is obviously beyond their control, to 'responsible citizens', essentially the aged, invalids and widows, not the 'undeserving poor' (Menzies, 1944, p.12). The government long neglected to entertain the notion that social security ought to provide recipients with a sufficient level of income to support themselves. It was only in the late 1960s, under John Gorton, that this principle was conceded, and even then only a condition of 'frugal comfort' could be expected by pensioners solely reliant on social security⁶ (Wentworth, 1978, p. 106). The approach to social security developed during this period is encapsulated in the following statement by Gorton:

Our aim is a social welfare structure which identifies the most needy and sees that those who have no other means are provided with enough to live on in a modest self-respecting way without requiring any other assistance from outside the pension. Our aim is to encourage all to work and to save so that they can live at a standard above that minimum. What we want to see is that the aged needy, the ill needy, those really suffering from some unfortunate circumstances through no fault of their own, are adequately provided for by the nation but that this should be done without destroying the incentive to save and without destroying the incentive to self-reliance. (Gorton, 1968, p. 574)

Despite the Coalition parties' prepossession for the 'safety net' approach their ideological commitment to the principle of 'self help' often carried them beyond residual social programs to attempts to foster a desirable pattern of expenditure in the community. It was seen as proper for government, through the use of subsidies and tax concessions, to promote behaviour associated with self-reliant lifestyles. Assistance was thus provided for home ownership (in the form of grants related to thrifty saving habits and to encourage home purchase rather than public sector rental under a revised Commonwealth-States Housing Agreement). Tax advantages accrued to superannuation, private health insurance and private school education expenses. Subsidies were also directed to those with private health insurance and, via secondary scholarships, capital grants and, finally, per capita funding, to the non-government schools. In these matters, the Commonwealth Government abandoned the criteria of need and proudly sought to preserve and indeed encourage the 'self-reliant' lifestyles of an idealised middle class.

The LCP Government, which held office in Australia during the period of consolidation of the welfare state, implemented social policies which conformed to the ideology of the anti-Labor parties. Although the government

6. Note that even 'frugal comfort' was denied to unemployment and sickness beneficiaries, who received social security benefits well below the rates prevailing for the more respected 'pensioners'.

responded to popular pressures it did not lose sight of its ideology. It did not have total freedom of action, inheriting a taxation system and a range of social programs. It was content to work within the compatible context of federalism, parliamentary democracy and industrial capitalism. Nevertheless, it was able to push social policy in a certain direction. In doing so, impetus for the development of a comprehensive welfare state along European lines was checked. Several themes underlay the policies of the government in the social sphere. There was an intention to limit demand for an expansive welfare state by encouraging private provision of social goods and services. The values of thrift, self-help and personal initiative were given pride of place. Faith was strong that an appropriately-guided private sector would serve the interests of civil society.

In terms of the values it set for itself, the Commonwealth Government 1949-1972 can be considered to have effectively pursued a social policy program. A shift in the prevailing anti-Labor ideology since the mid-1970s has, however, set the coalition a more rigorous social policy agenda. The neo-conservative ideas embraced by the Liberal and National parties demand a severe and relentless pruning of social expenditures which would entail the abolition of the 'middle class welfare' integral to the model of the welfare state established in Australia.⁷

Neo-conservatism penetrated the Liberal Party during the Whitlam years. It arose as a reaction to the welfare statist ambitions of the Labor Government, which were seen to have produced fiscal and economic crisis in Australia. Given eloquent voice by Malcolm Fraser, neo-conservatism promised an attack upon the welfare state. As Fraser explained:

The Government has taken the view that we would all be better off in a material, as well as in a social and political sense, by establishing a more limited, and more realistic, role for government. (Fraser, 1981, p. 2)

The Fraser Government's performance fell short of its radical promises. Although growth of the public sector as a proportion of GDP was checked, with commonwealth budget spending on social functions other than social security declining in relative terms,⁸ the welfare state was essentially retained. In practice, the Fraser Government's social policies were like those of its anti-Labor predecessors. Despite stressing the importance of limiting social programs to those in demonstrable need⁹, a responsiveness to the demands of the 'deserving' middle class was exhibited while there was a reluctance to really meet the needs of all the indigent (notably the unemployed).

Committed neo-conservatives in the Liberal and National parties, who came to be dubbed the 'dries', were critical of the Fraser Government's performance, urging a much tougher attack upon the welfare state. Since being cast into opposition in 1983, this assessment of the Fraser Government has become Liberal orthodoxy. Opposition Leaders Howard and Peacock have readily identified themselves with the 'dry' line (Howard, 1983; Peacock, 1983). Peacock (1984), in his first incarnation as Opposition leader, seemed to be torn between intellectual commitment to *laissez faire* economic ideas and emotional commitment to the 'thrifty' middle classes. In responding to the Hawke Government's reintroduction of an assets test on the age pension and the imposition of taxation on superannuation lump sums, Peacock identified the opposition firmly with the 'thrifty', thereby departing from neo-conservative principles.¹⁰ Howard, who replaced Peacock on the expectation that he would be a more conscientious neo-conservative, also came to display similar inconsistency. His 1987 election policies suggested a major cutback of the social functions of government, with tax reductions directed towards 'traditional' families. The failure to specify areas in which expenditure was to be cut produced understandable scepticism, especially in light of the Fraser Government's performance (Age, 11 June 1987).

7. For a neo-conservative assessment of the Australian welfare state which proposes major reforms, see J. Freebairn et al. (1987).

8. For details see 1983-84 Budget Paper No. 1, August 1983.

9. See, for example, Chaney (1982).

10. See **Commonwealth Parliamentary Debates - House of Representatives**, No. 7, 1 June 1984, pp. 2724-2729. The 'right' of the thrifty to a pension was a prominent theme of Peacock's 1984 election campaign.

The **Future Directions** manifesto, which the deposed John Howard regards as his legacy to the Coalition parties, mounts a populist neo-conservative attack on the welfare state, slating Labor for a range of economic and social problems seen to be associated with 'big government'. Injustices in Australian society, such as poverty, unemployment, and lack of opportunity are identified, but the solution is seen to lie in boosting the role of the private sector and the market rather than in expanding the welfare state. In terms of specific social policies, traditional themes are suggested: subsidising private sector services in health, education and housing; targeting social security while showing sensitivity to the affluent aged (Liberal and National Parties, 1988).

Neo-conservative hostility to the welfare state has struck a responsive chord among the ranks of the coalition. The anti-Labor parties have never been enamoured of the welfare state, defining it as egalitarian and bureaucratic, seeing it as inimical to the self-reliant, family-centred society believed to be characteristic of Australia. In office, Coalition Governments have pursued modest social programs which have accorded with their modest liberal vision of the good society. In the process, a distinctive welfare state was shaped, even if its architects rejected that term. Liberal-Country party occupancy of Federal office during the post-war period ensured that Australian social policy would lack the boldness of its international counterpart. Bound by ideology, Coalition Governments retarded the development of an ameliorative, comprehensive welfare state. Demands for generous, universal social security, nationalised health services, extensive public housing, redistributive taxation and a superior state education system were resisted. The governments opted for a residual welfare state, although they also made considerable efforts to develop programs which subsidised private expenditures in order to promote the lauded practice of self-reliance. Apparent in the social policies of Coalition Governments, and bedeviling the parties in opposition is the unresolved conflict between the determination to limit the welfare state and the desire to recognise the contribution made to social well-being by the upstanding middle class.

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TO MARKET, TO MARKET?: CONTRADICTIONS TENSIONS AND DIRECTIONS IN NEW ZEALAND SOCIAL POLICY

Pat Shannon
Community Studies Unit
Otago University

1. INTRODUCTION

This paper seeks to achieve two tasks. In Section 2 is a description of recent public policy change in New Zealand and reactions to it, and in Section 3 is an attempt to theorise this change in terms of a progressive theory of political economy.

2. RECENT CHANGE IN NEW ZEALAND

New Zealand/Aotearoa, once regarded as a 'laboratory for socialism' (admittedly on a somewhat tenuous basis) has, in the short and rapid space of five years, been turned almost into its opposite: a 'laboratory' for free market capitalism. The direction and thrust of public policy, marked by a heavily interventionist State almost from the earliest period of colonial settlement, has been sharply and significantly reversed towards a withdrawal of public intervention in favour of the free market of private enterprise.

This is hardly new, merely another illustration of a seemingly world wide trend, manifested in even the most unlikely of settings such as Gorbachev's USSR. What is perhaps exceptional in the New Zealand case is the rapidity of the reversal and its inauguration by a Labour Party Government - a government traditionally associated with intervention. Otherwise the action taken does not differ markedly from that common to many Western nations in recent years except perhaps in being a very 'pure' form of market liberalism.

The new Labour Government, from its election in 1984, undertook rapid action in many fields of public policy; monetary policy, exchange rate policy, taxation policy, industrial relations, assistance to industry and trade and foreign policy (Boston, 1987; Boston and Holland, 1987; James, 1986). Government subsidies to industry and especially pastoral farming (up to \$798.3 million in 1981 - the equivalent of two thirds of farm profits before tax) were almost completely abolished, the extensive civil service network controlling and administering resources completely reorganised, the exchange rate was floated and tariff barriers for imports rapidly phased out. Higher marginal income tax rates were sharply reduced and supplemented by the introduction of an almost totally comprehensive indirect tax (Goods and Services Tax) initially set at 10 per cent since increased (1989) to 12.5 per cent. Industrial relations bargaining and wage fixing mechanisms were redirected away from centralised to enterprise level bargaining and the first real legislative overhaul of the trade union system since its imposition in 1894 was undertaken.

The underlying philosophy throughout was that of market liberalism, individualism, a preference for private enterprise, a limited role for the State and a reliance on competition in the market to satisfy human needs and wants (through consumer choice). State goals of such action again are familiar, the economically rational allocation of resource, faster economic growth, the expansion of liberty and better targeting of welfare support.

The close attention to market theories perhaps appears nowhere more clearly than in the reorganisation of the State itself. An extensive civil service network, largely unchanged structurally since its inception in 1912 (Roberts, 1987; Boston, 1988) was almost totally transformed. This involved:

1. thorough on going commercialisation of all services on the basis of full cost recovery (i.e. user pays);
2. separation of commercial and non-commercial activities of government departments transferring the former to new 'State-Owned Enterprises' (SOE's) operating on strictly commercial lines with Boards of Directors appointed from private enterprise;

3. new managerialist and decentralised forms of decision making providing autonomy and responsibility at lower levels;
4. major changes to terms and conditions of Public Service Employees including wage fixing;
5. stringent and ongoing cost reviews and budget cuts for all government departments (Boston, 1987; 1988).

Since 1987 these 'economic' initiatives have been complemented by 'social policy' action which is reorganising the education and health sectors, including significant spending restraint, and involves further plans for social security changes.

The effects of 'Rogernomics' have been considerable. Extremely high interest rates and loss of subsidies have forced the closure of many small businesses and the foreclosure of owner operated farms which dropped sharply in value. The changes within the public sector outlined above have caused major redundancies, including notably whole rural communities who had been dependent upon the farm sector.

Unemployment rates have soared from 4.3 per cent of the labour force in 1984 to 10.9 per cent in 1989, with estimates of a further doubling by 1990.

Income gaps between groups have exploded with the top fifth of income earners increasing their real after-tax incomes by 3.6 per cent between 1984 and 1989 while the middle fifth are 1 per cent worse off and the poorest quintile 1.6 per cent worse off over the same period (Statistics Department, 4 April 1989, pp. 46-50).

An early sharemarket and urban real estate 'boom' shifted investment from production to finance, real estate and service sectors in pursuit of high profits, but the collapse of the sharemarket in October 1987 resulted in severe losses for the more speculative companies and individuals. The overall result has been the increased dominance of a small number of closely linked domestic, transnational and international companies significantly enhanced by being the major beneficiaries of state asset sales of major resource bases (Jesson, 1987, p. 154f).

For the poorest sections of the population State assistance has fallen rapidly in real terms. When all the fiscal and welfare changes are taken into account, especially the regressive effects of indirect tax (GST), the real level of assistance for households with up to four children declined between 1980/81 and 1988/89 (St John, 1989, p. 10). A one child family on 75 per cent of average weekly earnings in 1980/81 received \$27 per week real family assistance but this had dropped to \$12.50 real assistance by 1988/89 (St John, 1989, p. 11).

Again, as with other overseas examples, resistance has been ineffective - perhaps exceptionally so in New Zealand. The Public Service Association (the civil service union) although probably the strongest union organisation, was completely powerless in the face of the public sector reform and has been seriously weakened through redundancies and being excluded from providing coverage for workers in some new State-Owned Enterprises.

An impression is of bewilderment and stunned apathy in response to the rapid changes. Resistance has developed within the Labour Party organisation itself in the form of a 'left' organised group challenging specific 'Rogernomics' politicians. The effects of such resistance, however, judged in terms of action rather than media comment do not seem to have slowed or altered policy action in any significant fashion.

Perhaps the most significant signs of resistance have been the recent defection of an influential Government Backbencher to form a splinter group (The New Labour Party) and a split within the Cabinet which resulted in the demotion of Finance Minister Douglas and one close collaborator. While this clearly signals internal conflict over policy direction it does not seem to have been caused by outside resistance to policy.

Interestingly this split and fragmentation coincides with the Prime Minister's stated aim, in his second term in office (1987-1990), of moving into 'Social Policy' issues after the resolution of 'economic' problems in the first term (1984-1987). Indeed the public split within the Government and expulsion of Roger Douglas, the Finance Minister, from the Cabinet occurred over the Prime Minister's resiling from a Government statement (December 1987) which aimed for a determinedly market liberal or residual approach to social policy (flat rate income tax, reduction of publicly provided social services, etc.). The Government is currently pursuing a policy which is based around devolution and major reorganisation of the main areas of social services, health and education, leading again to significant public sector

redundancies and stringent budget limitations. In short, the current approach seems to be for a tightly controlled Keynesian, Fabian or institutional approach to Social Policy - one where a revamped, reorganised and better targeted social service sector is developed at a rate dependent on renewed economic growth. Government funding of services is accepted but not necessarily actual provision. Thus government Social Policy departments are to become purely policy advisers with actual administration being decentralised to local level groups and indeed services may be provided on a market basis. This type of approach bears a striking resemblance to the welfare-pluralist ideas which academics have developed to replace the centralised bureaucratic Welfare State. While the intent in such an approach clearly differs from the rigidly residualist perspective of strictly free market policies it is a debatable point as to whether its results will so differ. Is a return to the Welfare State days of the post-war period feasible? The only new element seems to be that of decentralisation. If that is so why is the market mechanism not to be used? Surely it is the ultimate in decentralisation?

The key question for public policy is whether a new and different theory of political economy can be developed to provide an alternative to approaches which are currently dominant.

Such a question unfortunately is not answered by the 1988 Report of the Royal Commission on Social Policy (RCSP). Promised since 1983 the RCSP was eventually announced immediately prior to the 1987 election and, after extensive and wide ranging consultations, produced a 5,000 plus page report in April 1988 prior to the Cabinet split.

In a comparison based on successful and effective Royal Commissions being those which are able to bring a clear and coherent theory to bear on an issue and develop coherent and specific recommendations, the Royal Commission on Social Policy must be deemed a failure (Shannon, 1988).

As it stands the Report falls somewhat awkwardly between the stools of being a terse report of concrete application and the more wide ranging descriptive academic 'state of the nation' reports which are embarked upon from time to time. (In this latter respect one thinks for example, of the Henderson Reports on poverty in Australia in the 1960s and 1970s and the more recent multi-volume reports of the Royal Commission on the Economic Union and Development Prospects for Canada.)

Even though the Report provides much valuable information it cannot stand as an example of the latter research endeavour - it is clearly the result of a carefully planned and executed research agenda. The issues treated are too partial, the fields are covered with too many gaps and critics have rightly, on these grounds, been hard on the Report.

We must take it therefore as the traditional New Zealand Royal Commission, conducting an inquiry in a relatively brief period of time and producing a terse analytical Report leading to concrete recommendations. Again there is a failure. The Report is too voluminous and has no clear criteria of relevance or significance. Extensive and wide ranging public consultations, surveys and submissions lie alongside commissioned academic papers (ranging from overviews of specific fields to critiques of current policy, broad collections of data and specific technical investigations) without any integrating principles. If one term could be used to cover this miscellany it surely would be 'abstracted empiricism'. There is no confrontation with theory in the sense of depending on explanation as a pre-condition for action on policy. There is merely extensive discussion without explanation and without any justification of what is important or unimportant.

Quite the reverse is the case with recommendations. These quite clearly are those of a Keynesian institutional type, for example, accepting a categorical approach to welfare benefits while suggesting reforms, proposing job creation schemes for unemployment and the like. In this sense the Royal Commission Report parallels recent academic analysis, suggestion of a return to the institutional approach without any justification as to how such a return is feasible. Academic social policy analysis suddenly has forgotten the problems it had in the Welfare State. The so-called 'crisis of the Welfare State' highlighted and acted upon by the 'New Right' with its market approach was after all made at least partly plausible and influential by academic criticism of the Welfare State.

So social policy analysis formerly set firmly in the three main strands of 'market', 'interventionist' and 'socialist' (with all their various rubrics), has exploded into a variety of 'new' perspectives - welfare pluralists, community self-help (local socialism?) and even market socialists! Prior rigid divisions have dissolved as a variety of suggestions have been made, almost all characterised by a blurring of boundaries, confusion of social mechanisms and a general failure of rigorous coherent explanation. Theoretical inanity is the rule as a wide variety of propositions are advanced without clear justification of their coherence. Devolution and decentralisation are two examples, it all depends on

what is devolved and decentralised and how control over decentralisation and devolution is exercised. We need a theory which can guide such action.

I would like to suggest however that the RCSP has, by its magpie like collection of issues of the moment, presented us with our best challenge to date to make some progress on these issues. In its report the Commission highlighted five major areas of concern - the principles of the Treaty of Waitangi, the position of women, the relationship between the State and the 'voluntary sector', the interrelationship between economic and social policy and the place of work. While it has been the substance of my critique that they have not explained effectively how these five areas interact and how we might change, the value of the Report lies in their very identification. All of the traditional theories of political economy, and even perhaps some of the new ones, have their own versions of the interrelationships between economic and social policy, their own views of work and employment and ideas on how partnership between the state and the 'voluntary sector' should operate. What all of the traditional approaches have ignored (in any central sense) are racism and sexism, in our context, the principles of the Treaty of Waitangi and the position of women. These issues, I would like to suggest are the key to any progress towards an adequate theory for public and social policy in New Zealand.

What the RCSP report has done is bring together the major issues generally felt to be important with respect to public policy. It is exceptional in that two of these major social issues - the place of women and the position of the Maori people (the Treaty of Waitangi) - have not hitherto been adequately theorised. The identification of these two groups as significant is supported by two other major types of evidence.

- a) The influence of a women's perspective as a critical element in recent public policy change.
- b) The importance of Maori use of the Treaty of Waitangi in being the only effective resistance to recent free market policy in New Zealand.

We can take each of these briefly in turn.

a) Women's Movement and Policy Change

Recent research into a major public policy innovation in New Zealand, the Accident Compensation Scheme, besides highlighting issues seen as important in policy change in other studies (e.g. the bureaucracy [Skocpol and Orloff, 1984], workers needs [Castles, 1985]) also indicated a significant role for the women's movement (Shannon, 1982; 1986). The policy change arose from bureaucratic initiative over high accident costs in a situation of labour shortage exacerbated by specific features of the New Zealand labour market.

Initially the Accident Compensation Scheme's Act was fully within the Castles (1985) paradigm, being conceived within the limited area of workmen's compensation (including traffic accidents). Although a Royal Commission extended the issue into a general one for all citizens (going beyond its terms of reference), later civil service and political negotiations returned to the more limited focus on income earning workers. A nascent women's movement at the time in the form of the Women's Electoral Lobby (1972-1974) mounted a major campaign against 'the exclusion of housewives' and the Labour Party made extension of the scheme to all citizens a major manifesto plank for the 1972 election. Success at the polls resulted in 1972 Workmen's Compensation type legislation being extended into the comprehensive social policy innovation which not only survives today but was seen as one which might 'point the way in which social policy in the developed countries will advance' (Kaim-Candle, 1973, p. 97).

The suggestion, based upon the weight of evidence (Shannon, 1986), is that the Women's Electoral Lobby and the movement generally was significant in the substantial change of public policy which occurred.

b) Resistance to Free Market Policies

Some of the elements in New Zealand Government policies since 1984 (e.g. nuclear-free policy, pay equity) seem contradictory to free market policies (or certainly unique among New Right Governments) and can perhaps be

plausibly linked to growing influence of the broad women's movement. However the clearest examples of overt and partially successful resistance to free market policies has come from the Maori people.

The period since the Second World War had been one of quiescence in Maori resistance and protest up until the 1970s. Stimulated by the 1967 Maori Affairs Amendment Act (facilitating further alienation of the little Maori land left) this resistance grew through a series of protests which involved notably a massive land march in 1975 and the 1977 occupation of Maori land at Bastion Point in Auckland to prevent sale as exclusive residential sections.

This type of pressure resulted in the setting up of the semi-judicial 'Waitangi' Tribunal in 1975 to advise the Government on Maori grievances from that date. Its authority was extended by the 1984 Labour Government to consider grievances back to 1840 - the time of the signing of the Treaty of Waitangi between the Crown and Maori leaders. This Treaty, for long dismissed by the government and judiciary as irrelevant, has had its original meaning (retained by the Maori since 1840; Orange, 1988, p. 6) revived and judicially accepted (Kelsey, 1989). The Maori agreed to cede 'Kawanatanga' (governorship/governance) to the Crown on condition their 'rangitiratanga' (chieftainship) and 'the full exclusive and undisturbed possession of their lands and estates, forests, fisheries and other properties were guaranteed'. Recent judicial acceptance of the Treaty arising out of continual struggle and agitation, has led to a major contradiction. It is difficult for a Government pursuing free market policies and the sale of state assets to honour a public judicial commitment to Maori Treaty Rights and land and resource claims, and by 1989 a backlog of over 160 claims awaited evaluation by the Waitangi Tribunal.

One outstanding illustration was court action taken by the New Zealand Maori Council. In July 1987 the Court of Appeal granted the Council the right to demand safeguards over the alienation of land and resources before government corporatisation and inauguration of State-Owned Enterprises could precede. A second major point of resistance has been a Waitangi Tribunal recommendation in favour of the Muriwhenua fishing claim which directly contradicts the market privatisation of fishing resources in the form of the inauguration of the right to take certain amounts of fish through purchase and ownership of a quota.

These issues have not of course been critical but they have provided major problems for a free market oriented Government concerned to privatise crown assets. They stand in stark contrast to the inability of other groups to mount any effective resistance at all.

Interestingly official policy with regard to the Maori people also serves as a model for general policy direction in the narrow social policy area. Thus the Tirohanga Rangapu (Partnership Perspectives) and Te Urupare Rangapu (Partnership Response), major reports on the Maori Affairs Department, suggest a radical devolution of administrative features to iwi (tribal) authorities - paralleling similar action in education and health; Minister of Maori Affairs (1988a, 1988b).

This is undertaken in the light of a series of other initiatives which incorporate a Maori perspective or mode of action. A recent Ministerial Advisory Committee Report on the Maori Perspective for the Department of Social Welfare - 'Puao-te-atati' (Daybreak) proposed a major reorganisation of control of departmental services by local committees made up equally of Maori and Pakeha. Independent Kohanga Reo movement (Maori Language Kindergartens) and Maatua Whangai (whereby local Maori people originated into whanau (extended family) groups undertake preventative care of children and young people at risk) have all been widespread and successful although poorly supported. Most recently, and perhaps most significantly, the new 'Children and Young Persons and Families Act' (1989) has resolved a fierce 'social control versus treatment' debate in the area of child care, protection and youth offending by adopting a Maori-based method of proceeding, extended family (whanau) decision-making, as the preferred decision-making mechanism for all citizens. It is now necessary to attempt to theorise all these elements.

3. THEORISING PUBLIC POLICY CHANGE

The previous Section of this paper raised the issues of rapid market oriented changes in public policy, the second seeks to explore the theoretical implications. General discussion of this phenomenon, which seeks to eschew free market liberalism as an either effective or valued perspective on public policy has tended to seek refuge in reaffirmation of anachronistic neo-Keynesian or 'citizenship' approaches, neither of which are satisfactory.

When recent public policy change in New Zealand was examined, two social groups, women and the Maori people, were seen as playing a significant part in promoting or resisting specific changes. Both of these groups, despite considerable recent attention to both sexism and racism within social policy (Wilson, 1988/9; Pascall, 1986; Williams, 1987), have been ignored in formal theories of public policy. The thesis to be developed here is that a Marxian political economy of public policy which is able to take formal account of these two groups is likely to provide a fruitful avenue of exploration. Given the number of metatheoretical and epistemological objections to current theory, the fundamental assumptions of the theory being developed are laid out as follows:

1. Rejection of Reductionism

This is taken to imply an holistic perspective focused on production and reproduction within capitalism and to rule out any focus purely on 'production' or the 'economic' or any mechanical adherence to a base/superstructure model. In short it seeks to avoid the disablement of the Marxist critique of capitalist political economy occurring through acceptance of the fundamental assumption of the separation of the 'economic' and 'political' under capitalism (Wood, 1981; Mouzelis, 1986).

2. Levels of Abstraction of Theory

While the necessity (and plausibility) of a general overall theory of social change is accepted, such theory, at a high level of abstraction, must necessarily remain open-ended and indeterminate and can only be determinately specified in concrete and specific situations.

3. Socialist Action

Socialist or pro-Socialist action is identified as that which

- a) promotes egalitarian solutions
- b) is fundamentally democratic.

(Thus earnings related policies, for example, are **not** socialist.) In light of these remarks I can now attempt to relate the issues raised earlier to an overall explanatory position - admittedly in extremely sketchy form.

New Zealand/Aotearoa as a white-settler colony semi-peripheral to world capitalism, developed through specific phases/transitions:

prior 1840s	European settlement/Maori dominant
1840s-1890s	Colony Racist Society (Treaty of Waitangi - expropriation of Maori land, Land Wars) nascent development of industrial capitalism.
1890s-1930s	Family Farm Society Petty commodity family farm production based upon separation gender roles, exclusion of Maori, though also reserve army (seasonal labour).
1930s-1960s	Industrial Society Import substituting industrialisation, urbanisation. Maori migration, generalised Welfare State, Keynesian policy, full employment.

1970s-1980s	Late Industrial Society
1970s	Restructuring small industry into large scale Transnational Corporations, erosion Welfare State, market liberal policy, Maori cultural renaissance and protest.
1980s	Domination by Transnational Corporations/sharp reduction State expenditure, asset sales to TNCs.

This brief outline is offered merely to highlight putative transitions. It is important to stress that there is no implication of necessary 'stages', no implication of necessary evolution or change, merely of factual change. Similarly the labels used denote only the dominant characteristic at the height of the period. The process of struggle between groups continued throughout each period with greatest decay towards the end of the period involving transition to the new form. Dates are thus very imprecise with pressure building before transitions and resistance remaining after the transitions in all cases. Since the major focus in this paper is on social and public policy it is the period from the 1930s to the late 1980s which will be given most attention. Each period however is clearly associated with specific public/social policy initiatives.

- | | | | |
|----|-------------------------|---|--|
| 1. | Colonial society | - | immigration for labour market/public loans/land confiscation. |
| 2. | Family farm society | - | restructuring land holdings first age pension/universal suffrage/industrial relations system. |
| 3. | Industrial society | - | import controls/comprehensive welfare state. |
| 4. | Late industrial society | | |
| | 1970s | - | support large scale oligopoly development - Accident compensation, Domestic purposes Benefit, National Superannuation. |
| | 1980s | - | restructuring to reduce State expenditure. Use of informal resources to deliver services at cost of clients. |

Each of the periods has distinctive public and social policy innovations associated with a depression (although the 1970s is often referred to as a 'recession') and the struggle between different groups resulting from depression conditions.

With respect to the working class generally in the 1930/40s social and public policy measures seem clearly to be a response to class political action particularly focusing around the position of male workers (Castles, 1985) in the context of a 'gendered society' (James and Saville-Smith, 1989). While many social policy innovations for all citizens were introduced (subsidised health care, education, welfare benefits) the main focus was on full employment with few benefits directly to those not in paid employment. Assistance was clearly based on the 'family wage' idea although there was some later acknowledgement of women's roles in the payment of a separate, universal Family Benefit, paid moreover, directly to the woman. It was a Family Wage approach but one significantly influenced by the separate sphere of motherhood and associated costs of child rearing.

For the Maori, the actual subjugation and appropriation of land by the 1890s had led to subsistence rural living for a declining population and a policy of assimilation propped by Conservative Maori politicians. Growing dissatisfaction in the 1930s had led to the Ratana Church as a social movement of protest and an agreement of patronage with the Labour Party which assured the formation of the four Maori electoral seats in Parliament in return for sympathetic treatment of Maori issues (again significantly betrayed like the Treaty of Waitangi).

In the period of labour shortage following the development of manufacturing under the public policy of import substitution there was pressure on both women to work and for the Maori to move to urban areas and be integrated into the urban industrial work force. Associated processes of urbanisation and metropolitan dominance changed living patterns for all with significant suburbanisation and construction of both public housing (State houses) and support for private housing (State Advances loans on new houses). The nature of post-war industrial development, particularly in providing household consumer goods, which themselves became necessities, both forced a redefinition of unpaid housework at home (from a money saving activity to a necessary adjunct of consumer goods) and the necessity for a second income for the consumer goods themselves (Smith, 1987). In terms of benefits of capital this was a partly successful solution inasmuch as individual wages and labour costs were held down while two household incomes

enabled consumer purchasing power to remain. The 'recession' of the 1970s indeed was different from the 1890s and 1930s depression in that while incomes fell consumption did not fall as seriously (Smith, 1987) and for the first time since male unemployment (full-time) has been growing while the only categories of jobs that are increasing are those for part-time, low wage, casual female labour.

The failure to integrate the Maori people into the labour market was indicated by the extent to which they were very hard hit by the depression (1970s). This generated an explosion of protest and social service needs (Barber, 1989) providing a general and significant threat to overall social integration.

This signalled the breakdown of the family wage as a suitable mechanism for achievement of welfare. While in the 1930s depression loss of the male wage resulted in almost total loss of household income, by the 1970s, partly at least as a result of the Welfare State itself, the male wage was a much smaller proportion of household income supplemented as it was by Family Benefit, women's wages (both paid to women) and the like. This entailed a shift of power relationships within the household (correlated with the development of the women's movement). It must be stressed also that this shift was **entailed** in post-war industrial development of consumer goods industries. Women's employment, increased household labour and two income households were necessary for consumption levels to be high enough to absorb the products. The 'running out of steam' of import substituting industrialisation (saturated markets at current income levels) and the actual decline in the 1970s depression gave birth to new social and public policies out of the struggle over consumption levels as essential to the 'formal' production processes. Social policies of the 1970s were thus both geared to the failure of the family wage system and to the development of large scale oligopoly industry in resource extraction. The former provided 'universal' benefits for all (National Superannuation, Accident Compensation) or new categories of benefit for independent women and children (Domestic Purposes Benefits) while the latter developed needs for a fragmented, segmented labour market (e.g. earnings related payments of Earnings Compensation under Accident Compensation).

Similarly the outburst of both significant levels of social problems and of protest among the Maori in the 1970s led to new attempts to achieve social integration on the basis of racialisation (Miles, 1987) of the issues as matters of cultural identity (Anti-Discrimination legislation, Multi-culturalism, sponsorship of Maori Culture).

Growth of the dominance of large scale capital focused on resource extraction and export throughout the 1970s and 1980s has again led to attempts to restructure to improve profitability for such operations and, since profits are no longer dependent upon domestic consumption, to reduce public policy measures supporting consumption levels and provide support to large scale industry. The continuing and worsening threat to social integration from the Maori has shifted to attempts to actually use Maori cultural resources to achieve integration (Kohanga Reo, Maatua Whangai, iwi development, decentralisation and devolution). Maori protest similarly has focused more firmly around control of resources with the Treaty of Waitangi as its symbol.

4. AN ADEQUATE POLITICAL ECONOMY OF WELFARE?

The adequacy of such an argument at the level of theory raises at least two questions which must briefly be examined. These are its adequacy as a marxist explanation (coherence with abstract theory), and its value in developing a strategy for progressive public policy.

First of all it sees the so-called 'economy' and polity' or public or social policy as two sides of the same coin, not only connected but linked in specific clearly identified and changing ways. It is clear from the analysis above for example that the position and role of women in Post-World War II New Zealand, including both their unpaid household labour and their paid labour, has been central and fundamental to the productive 'economy' in a manner not true prior to that period nor since. Similarly the attempt to achieve the social intergration of the Maori people into the labour market was also central to the economy in a manner which previous exclusionary, assimilative, and subsequent racialising strategies have not been. This explanation itself is not functional or reductionist but seeks to link both agency and structure into mutually interacting patterns. There is no suggestion that anything happed 'automatically' - but is a result (often compromised) of ongoing struggle, the results of which are totally satisfactory to neither side but form the basis for future development of the struggle.

Similarly links have been made between class, gender and ethnic origin, not at some highly abstract level of universal patriarchy or whatever, but in the specific circumstances of New Zealand's change. The issue of specific context does require further investigation as many of the changes noted in New Zealand have also occurred elsewhere. There seems to have been a secular growth in the power and independence of women in western countries, especially working class women, over the period since the Second World War. This is certainly not uncontested and has to some extent been gained at the cost of even greater exploitation and effort (having to work both outside and within the household) (Smith, 1987). Significantly also this has led to the 'feminisation of poverty' (Scott, 1984) in the form of poor female-headed households, but perhaps less poor than when those households were headed by males. (That at least is the contention of many New Zealand women on Domestic Purposes Benefit (Shannon, 1985).) The strength and growth in the power of the Maori people (based initially perhaps on negative factors) which has given a degree of autonomy and control over their own affairs not achieved since the 1860s can also perhaps be related to movements of indigenous people elsewhere. However, while some change seems widespread there is clearly a specific contextual element producing significant differences. Thus a current policy goal seems to be the transfer of costs from the State to the Maori people themselves but whether such a goal is fully, partially or even minimally achieved will depend on their struggle.

The second major question is how far does this analysis, if accepted, give a direction to go with regard to theorising about public and social policy? Figure 1 in attempting to portray the outlines of the argument schematically, gradually draws together three groups seen as significant - working males, women and Maori people. At a theoretical level this implies strongly that social class is a significant factor between women and between Maori people. While this might be taken to imply an economic approach in subordinating racism and sexism to class exploitation, this is only the case if class is defined economically. In short the approach here postulates the progressive elements in all three groups as **fractions** of the working class and the argument is that this is defensible because it has been possible, however crudely, to link them together and specify the relevance of each group's action with regard to capitalist development. This does not imply that all three groups will coalesce and move forward in harmony to a bright socialist future. Nothing in theory is certain or automatic. Steps forward may be slight and accompanied by significant conflict. The mere bringing together of these groups may well exacerbate conflicts. Thus it is feasible to argue that gender based violence may have increased as women become more independent. Similarly attempts to integrate the Maori people into the labour market to reduce levels of problems can lead to dislocation of non-Maori workers and a consequent racist backlash. Certainly it seems that the only way ahead means facing up to such conflict and dealing with it as well as struggling against the goals of capital. If the Figure indicates a progressive movement then it indicates that the struggle for equality and social justice based initially on male workers has been transcended by action by women and (arguably) at present the Maori is leading towards a further possible breakthrough, a further step towards the socialist goal.

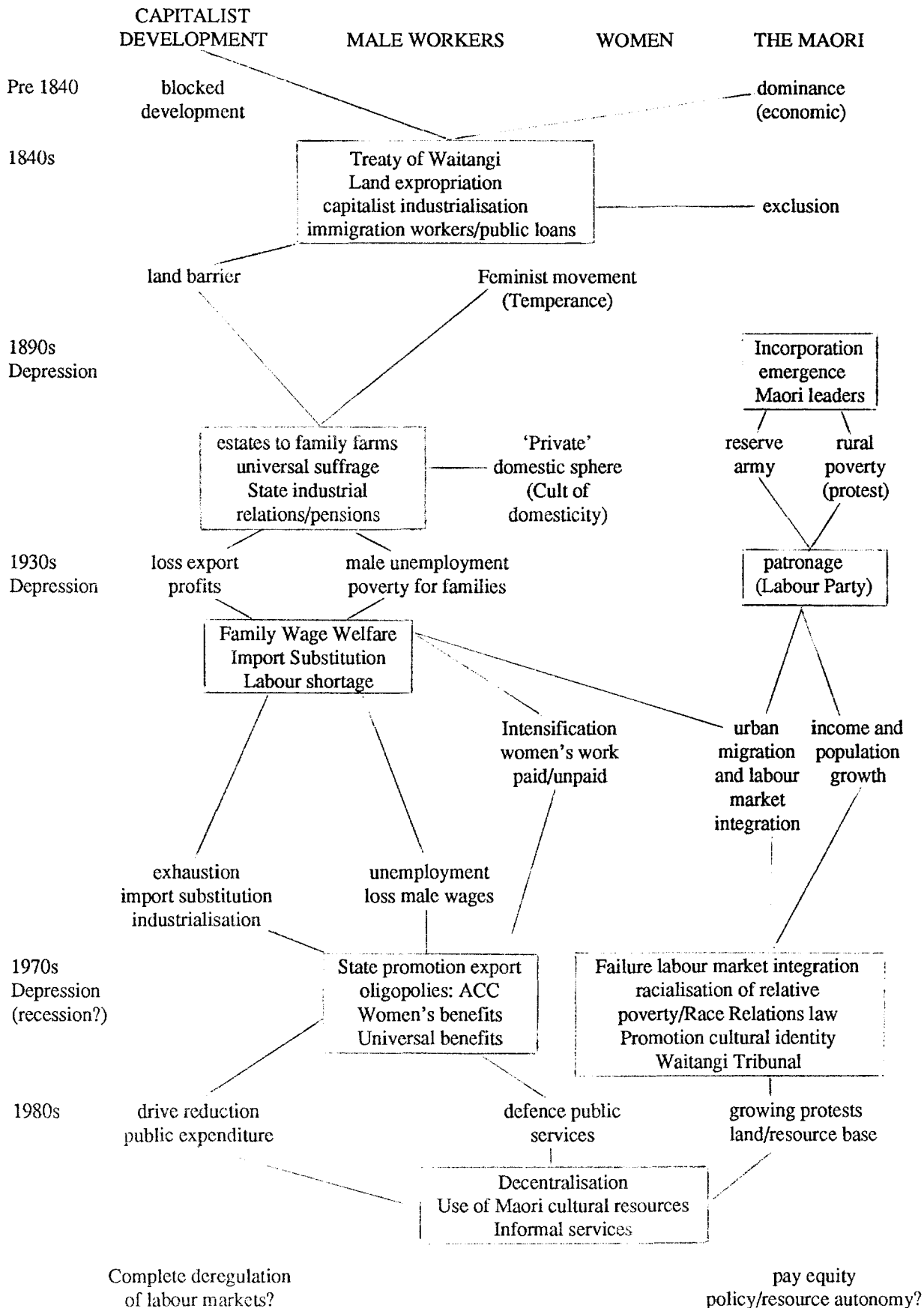
The position has certain implications for public or social policy analysis. Thus the class direction in egalitarian and democratic terms is the critical issue, not traditional academic debates over universalism or selectivity, the market or not and the like. In the above account, for example, the selective and stigmatising Domestic Purposes Benefit of the early 1970s was seen as a progressive and liberating step (albeit with major defects) as also was a universal scheme like National Superannuation and some elements of Accident Compensation. It is, incidentally, worth noting that despite sustained and major attempts to destroy all three initiatives since, they all survive largely intact.

Similarly it seems to be useful in at least providing a broad strategic direction for social policy action. Current attempts, within New Zealand for example to separate policy direction (remaining with central Government ministries) and actual administrative implementation (to be devolved) can be seen as a further initiative to overcome the contradictions involved in demands for improved policy initiatives while capitalist restructuring is demanding cutbacks.

The same initiatives are being undertaken in education, health and (to a lesser extent) social security and personal social services policy as those involved in devolving specific Maori policies to iwi (tribal) authorities. Social and economic autonomy is clearly not intended but is just as likely to be demanded by many of the groups involved.

The explanation also makes clear the constraints of such action. The critical role of overseas capital in a dependent social formation was clear in the major impact of depressions upon New Zealand. Social and economic autonomy is going to also depend on the ability of the coalition of groups proposed to confront national and international pressures.

FIGURE 1: CHANGES IN PUBLIC/SOCIAL POLICY IN NEW ZEALAND



Small may be beautiful but it is clearly not enough, especially in the New Zealand context of major Transnational Corporation dominance. What the explanation does suggest is that the construction of a common or joint agenda is a top priority for progressive action.

5. CONCLUSION

This brief paper has attempted to seek an escape from a situation of seeming hopelessness over the future of egalitarian public/social policy occasioned by the overwhelming speed and success of market liberal policy in New Zealand as in other Western social formations.

In searching for a perspective which provides some realistic grounds for effective progress note was taken both of the influence of the women's movement on recent social policy and that of the Maori people. Indeed it was suggested that in a major recent inquiry into the whole area (RCSP) these very groups came through as presenting the most outstanding issues facing social policy. The failure of the RCSP to theorise its substantive focus and make coherent and progressive recommendations led to an attempt to do just that in an extremely sketchy and speculative fashion. It has been suggested that class struggle over public social policy provides a picture of a progressive movement gradually linking male workers, women and the Maori into a position of common interests. This could provide a direction for future socialist progress and makes a socialist strategy of uniting all three groups in a common endeavour a top priority.

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LABOUR, SOCIAL JUSTICE AND THE WELFARE STATE: IMPLICATIONS OF THE VICTORIAN SOCIAL JUSTICE STRATEGY

John Wiseman
Department of Social Work
Phillip Institute of Technology

The Victorian Premier, John Cain, has described the Victorian Social Justice Strategy as 'a blueprint for a long range, far reaching reshape of social and economic resources, power, access, services and rights, with the central aim of improving equity and fairness' (Cain, 1986, p. 5). The Strategy, he has argued 'moved us further towards a Victoria in which opportunities to share in economic and social development are extended to everyone, not just the fortunate, or the lucky' (Cain, 1987, p. 3).

Since those words were written and the Victorian Strategy was launched, a variety of Social Justice Strategy initiatives have been developed by Labor Governments in South Australia, Western Australia, the ACT and by the ill-fated Unsworth Government in New South Wales. In launching the Commonwealth Government's Social Justice Strategy in 1988 the Prime Minister, Bob Hawke wrote

We will not relent in our pursuit of social justice. But this means setting priorities. These priorities are laid down in our social justice strategy for the future ... In pursuing our social justice strategy we will ensure the benefits of a growing economy are distributed equitably. We will improve equality of opportunity. And we will enhance the rights of people, especially the underprivileged. In short, my Government will continue to work for a fair go for all Australians. (Hawke, 1988)

As Stuart Macintyre has documented, 'A Fair Go' and 'Social Justice' have been central and abiding themes in the philosophy and rhetoric of the Australian Labor Party ever since its formation (Macintyre, 1985). Gerry Hand has gone further and argued that

Social Justice is the Labor Party's reason for existence. It is the common goal that unites all members of the Party. It follows that building social justice into the fabric of government and society must be the major strategic objective of Labor in government. (Hand, 1986, p. 1)

The renewed emphasis by Labor Governments on the language of Social Justice should not, therefore, come as a major surprise. Perhaps more surprising are the hopes held by some that Social Justice Strategies can act as a central focus for nothing less than the renewal of the socialist project by the Labor Party in Australia.

One of the principal architects of the Victorian Social Justice Strategy, Mike Salvaris, has, for example, written that a National Social Justice Strategy

... could prove comparable to the Curtin-Chifley post-war reconstruction plan. That plan stands out as a rare exception to the Australian tradition of short-term, programmatic politics, a tradition which strongly contrast with European Democratic Socialist politics. (Salvaris, 1988, p. 6)

Properly supported and resourced a National Social Justice Strategy could significantly influence the direction of Australian politics and society for the next two decades. Like the Curtin-Chifley plan, the Strategy would provide both a vision for Australia's development and a program for action. (Salvaris, 1988, p. 6)

The vision referred to here is one of 'fairness and equality, participation and social solidarity, and the development of Australia's full human potential' (Salvaris, 1988, p. 6). For Salvaris then Social Justice is the signpost leading to the Light on the Hill and Social Justice Strategies provide the vehicle for moving Labor Governments and Australian society towards it.

Other commentators on Social Justice have been more sceptical:

Few in the 1980s think of it (social justice) as an actual possibility (in the way that previous generations regarded socialism) but many turned to it when protesting against injustice. Social justice means different things to different people and serves as a conveniently imprecise surrogate for other more precise but seemingly discredited projects of social change. Social justice is what was left when they crumbled. (Macintyre, 1988/89, p. 37)

Reactions to the language of social justice and the experience of Social Justice Strategies clearly range from eulogistic to dismissive, from measured optimism to deep cynicism.

In this paper I want to provide some preliminary reflections on the possibilities, limitations and implications of the resurgent interest in Social Justice as a central political objective and the particular way in which a 'strategic' approach to the implementation of social justice objectives has been pursued by the Victorian Labor Government.

In general terms I wish to argue that the Victorian Social Justice Strategy is best understood as an attempt by a State Labor Government to deal with the dilemmas of fiscal and legitimacy crises by combining the language of social justice with the techniques of corporate management. Both the language and the technique are highly problematic but the exercise deserves to be taken seriously if only because it is one of the few concrete examples of an attempt to challenge the dominance of economic rationalism within current Labor Governments and public policy.¹

The concept of a Social Justice Strategy was initially placed on the Victorian political agenda by a number of senior public servants, Labor backbenchers and ALP activists in 1984.² Their primary aim was to provide a focus for social priorities and policies which could act as a counterbalance to the pervasive influence of economic priorities as reflected in the Victorian Economic Strategy. Less explicit agendas included the promotion of a unifying theme within the Party and, in the longer term, a rallying point for those concerned with broader redistributive and socialist objectives.

While some Ministers and senior public servants were rapidly convinced of the merits of a 'strategic' approach to social justice, others, particularly in the economic portfolios, were more cautious. There were major concerns about raising 'unrealistic' expectations which might be politically destabilising and economically unsustainable. However, there was a general recognition that there might be some value in the establishment of a conceptually rigorous corporate plan which could systematically clarify social policy objectives and priorities and facilitate more efficient and effective cross portfolio co-ordination at both budgetary and service delivery levels.

A promise to develop a Social Justice Strategy was included in the 1985 ALP election manifesto (ALP, Victorian Branch, 1985) and by late 1985 the Social Development Committee of Cabinet had been given responsibility for the development of the Strategy which was to be prepared by the Social Justice Strategy Unit (located in the Department of Premier and Cabinet) in collaboration with the newly established Social Economics branch in the Department of Management and Budget.

The development of the Strategy involved a tortuous process in which Ministers, backbenchers, public servants and members of the ALP Social Justice Committee agonised over the appropriate definition of social justice and debated the details of the Strategy's objective and implementation mechanisms. Some actors in this process now perceive it to be a classic example of how not to develop policy and emphasise the dispiriting influence of a perceived lack of commitment at Cabinet level. Others regard it as inevitable that a contested concept such as social justice will be

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1. The earliest written proposal appears to be a discussion paper prepared by the then Labor Backbencher Barry Pullen entitled 'A Social and Justice Strategy' in May 1984.
 2. Where reference is made to the views of politicians and public servants in this paper, it should be noted that I am drawing on evidence obtained from interviews with a wide range of relevant people including Ministers, ALP backbenchers, ALP policy committee members and senior public servants in the Department of Premier and Cabinet, and the Department of Management and Budget.

difficult to reach agreement on and that the endless debates and negotiations reflected an ongoing struggle to protect the Strategy from white anting and marginalisation.

It should be noted that the process did not involve a program of public consultation. It was publicly argued that this was unnecessary given the wide range of reviews and consultations on social policy issues conducted during the first term of the Cain Government. Privately there were concerns about the difficulty of 'managing' an extensive public debate about a slippery concept like social justice.

There was, however, substantial consultation with Government Departments who were required to conduct detailed reviews of the extent to which their objectives and activities were consistent with social justice criteria.

By late 1987 a number of 'rules of the game' had been (at times grudgingly) agreed to.³ These have determined the fundamental assumptions and directions of the Strategy and can be summarised in the following way:

- i) The Strategy should be based on explicit political principles which are readily understandable and compatible with the spirit of ALP policy. These principles were identified as equity, access, participation and rights.⁴ This contrasted with earlier attempts to draw on the conceptual framework of the British philosopher, John Rawls (see Rawls, 1972).
- ii) The Strategy should not be dominated by the view that access to employment is the primary mechanism for the promotion of social justice.
- iii) The Strategy should be based on a clear recognition of the limits and possibilities of State Government action.
- iv) The Strategy should not raise unrealistic expectations about the complete eradication of poverty or inequality. In the words of the Premier 'what we are doing is doing what we can to lessen poverty and alleviate its effects' (as quoted in Freeman-Greene, 1987).
- vi) The Strategy should not be seen as a shopping list of new welfare programs or 'handouts'. It should be seen as a mechanism for setting priorities, targeting and redeploying resources across all Government Departments (and public instrumentalities such as the SEC). Thus it was intended to cover more than those Government activities traditionally associated with social welfare or social policy.
- vii) The Strategy should be seen as a long term program for achieving significant change in the way in which Government priorities are established, programs developed and services delivered. It should also endeavour to involve and energise non-government and community organisations so that they pursue social justice objectives in a complementary manner.

In August 1987 the Premier launched the first version of the Social Justice Strategy entitled *People and Opportunities* (Victorian Government, 1987b). This document reflects the assumptions outlined above and begins by defining Social Justice in terms of the following four objectives:

Equity: Reducing disadvantage caused by unequal access to economic resources and power.

Access: Increasing access to essential goods and services according to need.

Participation: Expanding opportunities for genuine participation by all Victorians in decisions which effect their lives.

3. While some of these principles can be seen explicitly stated in published documents on the Strategy, supporting evidence has also been gained from interview data and unpublished papers.

4. These were first specified in this form by the Social Justice Strategy Steering Committee in June 1986 in an unpublished paper 'Frameworks for a Social Justice Strategy' although similar objectives had been proposed in earlier papers produced by both the Social Justice Unity and the ALP Social Justice Committee.

Rights: Protecting, extending and ensuring the effective exercise of equal legal, industrial and political rights.

The document also identified four initial priority issues demanding urgent attention:

Children in Poverty
Long Term Unemployment
Dignity and Security for Older People
Peoples Rights

Three main mechanisms were proposed as the basis for the achievement of the strategies objectives:

- i) Expansion of existing programs and introduction of new programs funded primarily through redeployment but with some new budgetary initiatives. (See Appendix A and B for a summary of major Social Justice and related initiatives.)
- ii) An ongoing program of Departmental reform and review to ensure all Government activity was consistent with the promoted social justice objectives.
- iii) Co-operation with local government, non-government and community organisations to assist and encourage them to pursue social justice objectives.

The document argues that the proposal is 'strategic' in that it identifies objectives and priorities on the basis of extensive research and analysis and that it involves a targeted and concerted approach. The aim is to:

take action on many fronts at once by offering a practical and useful package of services simultaneously. (For example) the package dealing with long term unemployment provides information about training alongside improved opportunities for training, personalised job placement services and child care spanning the period of training through to employment. Each measure in a package has been designed to reinforce the others in an attempt to counteract the mutually reinforcing factors which deny individuals opportunities. (Victorian Government, 1987b, p. 10)

An evaluation of the impact and implications of the Victorian Social Justice Strategy can be undertaken at a range of levels.

At the simplest level it is easy enough to identify a range of new and expanded programs which have been promoted under the heading of Social Justice. We could point, for example, to the Education Maintenance Allowance (designed to assist low income families meet the cost of educational expenses) or the expansion of Home and Community Care, Child Care, Child Protection, Energy concession, Legal Aid and Intellectual Disability services. The problem here is threefold. Firstly, the relative merits of any of these initiatives are debatable. The debate about whether scarce resources should be targeted to low income families or disadvantaged schools is only one example. Secondly, it is difficult to argue that, even if these initiatives are regarded as valuable, they will have a fundamental impact on structural inequality. Thirdly, it is hard to say whether many of them would have been funded anyway (although anecdotal evidence suggests that the Social Justice tag and criteria did help them in the budget process).

Similar problems arise in relation to analysis of expenditure trends. The budgetary cost of new recurrent Social Justice initiatives was \$29.4 million in 1987-88 and \$67.9 million in 1988-89 (Victorian Government, 1988). In addition to new initiatives in the 'Family Support' area (which includes a curious mixture of the Education Expense Allowance and the abolition of private car registration) have risen from \$85.1 million to \$113.3 million in the last two years. 'Other Social Expenditure' new initiatives have risen from \$47.1 million to \$118.5 million. However, this kind of analysis can, at best, only lead to an argument that the Social Justice Strategy has had some impact on the relatively insignificant margins of the new initiatives component of the budget.

There is little evidence as yet that there has been much re-allocation or redeployment of expenditure either within or between Departments.⁵ Even within the social development portfolios there has been little change in the ongoing trend towards relative increases in health, transport and community services (mainly child protection) and relative decreases in education and housing.⁶ These trends are largely a reflection of wider political pressure to reduce hospital waiting lists, improve public transport and 'do something' about child abuse.

With the notable exception of transport and energy concessions there has also been little impact on the revenue side of budget outcomes. The primary influence on the revenue side has been the commitment to keep overall increases in taxes and charges below increases the CPI. The Strategy deliberately avoided any reference to the redistribution of resources either from the private to the public sector or within the wealth and income of the private sector. While there is no doubt that the Commonwealth has far more influence in this area it is hard to argue that a Social Justice Strategy which does no more than achieve a marginal shift in new initiative priorities towards a scattering of social programs represents a significant assault on structural inequality.

However, proponents of the Strategy would argue that the focus of this criticism is too narrow and short term. Greater emphasis might be placed on the longer term effects of changing consciousness, priorities and processes within the public sector. As the then head of the Social Development Division of the Department of Premier and Cabinet, Ann Morrow argued

.. what we are proposing is absolutely revolutionary. We are asking 24 Government agencies to look at their activities on social justice criteria. The Government is attempting something that no other government, to our knowledge, in the Western world or in the history of this country has ever attempted. (as quoted in Freeman-Greene, 1987)

The Social Justice review of Departmental activities has had uneven results but the language of social justice has certainly entered the jargon of internal public service debates, corporate plans, cabinet submissions and even job advertisements. Interestingly, the changes have often been most dramatic in the non-social development portfolios such as Conservations, Forests and Lands or Industry, Technology and Resources.⁷ Perhaps this reflects no more than the tactical use of acceptable rhetoric. Alternatively it could constitute the beginnings of a comprehensive social audit process at all levels of government activity. This in turn could form the mechanism for a challenge to the deeply embedded 'common sense' of narrow cost benefit analysis and economic rationalism.

In a limited way this trend can be seen in the rhetoric of recent Budget Statements which in 1987 referred to the need to 'ensure that the fruits of renewed growth are available to those in greatest need and that the disadvantaged are provided access to the new opportunities' (Victorian Government, 1987a, p. 1). The 1988 Budget papers noted 'some difference in emphasis as the needs of families and of social justice have become more dominant and the need for large scale budget initiatives to assist the Economic Strategy has declined' (Victorian Government, 1988, p. 1). However there is a long way to go before the Social Justice Strategy has any profound impact on Departmental Budgetary or Cabinet priorities and processes.

Outside the State Government some local governments have begun to explore the potential of social audits and social justice corporate plans, though there have been few concrete outcomes so far. Community groups have tended to remain highly sceptical about the whole exercise.⁸ This is partly due to the problem that the Partnership Projects

5. Whilst precise figures are difficult to calculate, the 1988-89 budget papers indicate that approximately \$12 million was redeployed into Social Justice programs in 1987-88 and approximately \$15 million in 1988-89.
6. Victorian Government (1987a). Note that comparable data is not available for the following year so comments about this trend should be treated with some caution.
7. Conservation, Forests and Lands has, for example, developed a detailed manual for implementing and evaluating social justice policies in this portfolio.
8. For a measured but cautious response, see Hudson, 1987.

program, which was intended to provide resources and implementation mechanisms for social justice initiatives in the non-government sector, has been tightly controlled and minimally funded. Some optimists regard the Partnership Projects as a possible revival of the aspirations of the Australian Assistance Plan with the potential to 'make a hundred flowers bloom' through imaginative resourcing of community projects and action. There are few indications of a serious commitment to such visions at this stage.

Trade unions have been even more cautious. Early on there was some talk of using the Social Justice Strategy as a cornerstone of some form of State Government Accord with the unions (particularly public sector unions). This has not been pursued and there is some justifiable suspicion in some union circles that the Strategy can be used as a lever to reduce staffing levels and conditions in the public sector so as to redeploy resources to new social justice programs. At least one influential member of the Government has commented 'You can have overmanning or social justice but not both'.⁹

Another way of evaluating the significance of the Strategy is to assess the progress made in meeting the strategic objectives or the needs of the priority groups identified. This task is particularly difficult given the lack of meaningful social justice indicators.¹⁰ Victoria does have a relatively good record in relation to broad indicators such as employment growth, aggregate household income, school retention rates and service provision to the elderly (Victorian Government, 1988). It is a moot point as to whether this had anything to do with the Social Justice Strategy. Nor does it appear that poverty and inequalities of wealth and income are markedly lower in Victoria than in other States.

Subjective opinions among Ministers and public servants associated with the Strategy suggest that low income families have received some tangible benefit from initiatives such as the Education Maintenance Allowance, transport and energy concessions, Home Opportunity Loans, and increased access to child care and HACC programs. There is some consensus that 'dignity and security for older people' and the needs of 'children in poverty' have won a higher place on budgetary agendas and that the existence of the Strategy has facilitated this in a minor way. The long term unemployed remain a politically unpopular cause and at best it is argued that the Strategy has helped hold the line by retaining some support for a more integrated approach to labour market programs consistent with the 'Active Society' proposals in the Commonwealth Government's Social Security Review.

The objective of increased participation was never universally popular among those associated with devising the Strategy and it is not clear that any significant progress has been made in this area, except perhaps in relation to people with disabilities.

In addition, the choice of the Strategy's stated objectives begs the question of whether they are useful and appropriate or indeed whether the whole conception of social justice is a hollow phrase meaning all that is left when the socialist project crumbled.

Before turning to this larger question it is only proper to point out that few of those involved in the initiation of the Strategy were naive enough to believe that it was, in itself, the centre piece of a socialist program. Rather it was a more defensive exercise designed to at least hold the line and prevent social reform priorities from being swept completely off the agenda. There is some evidence of success in relation to this implicit objective.

The language of social justice has become entrenched in Cabinet, budgetary and policy making processes throughout much of the Victorian Government. The Victorian project has also stimulated similar projects in other States and by the Commonwealth Government.

On the other hand social justice has hardly become a central topic for discussion in the media or in the general community. Journalists tend to dismiss the language of social justice and the Strategy itself as self indulgent, abstract

9. Based on interview data.

10. Initial work has been done on indicators at a program level (see Oxley, 1988). However comprehensive and effective social justice indicators have yet to be developed.

and irrelevant to the concerns of 'ordinary people'.¹¹ This is also a view held by some Government Ministers who frequently argue that dollars in the pocket mean more to most voters than empty philosophy about access and rights.¹²

Public opinion polls continue to demonstrate a deep mistrust of references to improving access to economic power and resources other than through hard work and individual initiative (see for example, Benjamin, 1989). Collectivist and redistributive values show little sign of coming back into favour and it can be argued that Social Justice Strategies have only heightened public cynicism about the feasibility or desirability of Labor Governments to do anything more than mouth platitudes about 'equity' while calling for ever increasing 'restraint' for low and middle income earners.

Overall evaluations of the Social Justice Strategy fall into a number of overlapping categories which depend partly on the primary expectations and assumptions of the commentator.

There are therefore some public servants who see the Strategy as a beginning attempt to apply the techniques of corporate planning and corporate planning and corporate management to the social policy area so that efficient management and targeting of scarce resources can be used to maximise equity outcomes. Within this school of thought, criticism will focus on the extent to which the Strategy provides a real potential for fundamental improvement in policy co-ordination and targeted allocation rather than tinkering at the margins.

Of course if one begins from a more critical stance about the desirability of extending the managerial culture to all aspects of State activity and public policy this raises a crucial question. Are there ways in which the technology of corporate management can be used to promote humanitarian aims? Or is the outcome likely to be the removal of conflicts about economic and social power from the streets and into the arid and technocratic arena of high level bureaucrats.

As noted, some proponents of the Strategy have been more concerned with placing debates about equity, access, participation and rights back on the political agenda. This more explicitly political debate is divided between those who see the Strategy as a limited but potentially valuable starting point for ongoing struggle and those who regard the whole project as an irrelevant diversion of time and energy.

My own view is that the Victorian Social Justice Strategy is an attempt to manage the fiscal and legitimacy crises of a regional welfare state by inserting social values into government corporate planning and by applying the 'rigorous' mechanisms of corporate management to social policy and planning.

The dangers here should be obvious. Potentially there is the threat of moving towards a more residual welfare state, with more targeted and selective programs, administered by increasingly remote and technocratic forms of corporatist and labourist governments under the guise of social democracy and social justice.

Such developments are understandable, if not excusable, as Labor Governments and the Labor Party attempt to retain electoral popularity while managing Australia's economic reconstruction under increasingly harsh international economic conditions.

Yet, as Offe has noted

... social conflicts and political struggles, especially those with socialist potential, by no means emerge automatically from (the) systematic contradiction between state policy and the interests of capital. These struggles are usually waged by political forces which are willing and able to consciously defend and utilise the reformist policies of the capitalist state against the power and obstructive resistance of the capitalist class itself.
(Offe, 1983, p. 123)

11. For example 'it seems to me the Party [the ALP] is dressing up its traditional and very praiseworthy concerns in a pot-pourri of jargon drawn from sociology and economics' (Ellingsen, 1986).

12. Based on interview data.

And as Offe has also argued social policy forms a crucial part of the terrain on which such conflicts are currently being fought out because

... the continuous growth of decommodified organisations such as hospitals tends to weaken and paralyse market rationality ... (This) also constitutes a political opportunity for the Left. Areas of social life that have been decommodified by welfare state interventions can be developed, through political struggle, into relatively autonomous sub-systems of life, oriented to the production and reproduction of use values. (Offe, 1983, p. 234)

At a minimal level then the Social Justice Strategy project does provide an avenue for challenging market rationality from within and outside the state. Even if they do not mean it, governments which make explicit commitment to the use of criteria such as overcoming inequality and increasing democratic participation, can be continually challenge to prove their sincerity through concrete action. This at least may help hold the line against the utter domination of economic rationalism. Hopefully it can be both defended and extended to encompass the demand for genuine structural redistribution of power and resources by continually pointing out the contradiction implicit in a commitment to social justice which is not linked to a commitment to redistribution.

Paradoxically then, the language and processes of Social Justice Strategies have the potential to open up debates about the merits of universalist rather than residual welfare states and socialist rather than labourist objectives.

However, the wider challenge is 'to enact the complex strategy of creative reform and planning guided by state action, and innovation from below through radical social initiatives which expand and equalise civil liberties' (Keane, 1988, p. 27), so as to create the conditions not only for liberal and social democracy but also for genuine economic democracy and, most crucially, a democratic culture.

'Socialism', Keane has argued, must be redefined in a radical way, so that it becomes a synonym for greater democracy for a differentiated and pluralist system of power, where decisions of interest to collectivities of various sizes are made autonomously by all their members (Keane, 1988, p. 3).

In concrete terms, this means that social justice and Social Justice Strategies can provide a potential arena for the promotion of 'radical reforms' if and only if the state is continually challenged to turn rhetoric into substance. This in turn requires a recognition that social justice can only become a meaningful demand when it is linked to an understanding of the importance of economic justice as well as social justice and of economic democracy as well as social democracy.

In the context of an increasingly problematic economic and ecological crisis it is becoming clear that debates about the welfare state can no longer be seen in isolation. If the language and processes of Social Justice Strategies can be used as a vehicle to defend and extend the possibilities not only of the welfare state but of a more democratic and ecologically sustainable economy and society then it may be reasonable to regard them as at least a 'glimmer from the light on the hill' (see Wattenhall, 1987).

APPENDIX A

VICTORIAN SOCIAL JUSTICE STRATEGY INITIATIVES 1987-88 AND 1988-89
SOCIAL JUSTICE STRATEGY RECURRENT EXPENDITURE INITIATIVES 1987-88
 (\$,000)

	New Funding	Total Additional Expenditure ²	
	1987-88	1987-88	1988-89
Extend Education Maintenance Allowance	11700	11700	11700
Schools Integration Teachers	1000	1000	200
Aboriginal Mentor Program	97	97	194
Aboriginal Health Services	-	250	250
Community Credit Program	100	100	100
Long-Term Unemployment - Job Link	1000	2400	2400
Vocational Orientation Services	200	200	200
Aboriginal Employment in VPS	-	447	447
Targeted Training Initiatives	-	350	350
Child Care Places in TAFE	590	590	1180
Out of School Hours Child Care	-	1500	1500
Neighbourhood House Programs	-	123	123
Home and Community Care Program	5961	14861	14861
Residential Care Services	375	2475	2600
New Aged Services Planning Unit	-	260	260
Multi-purpose Taxi Concessions	1500	1500	1500
Aboriginal Conciliation Unit	-	32	33
Aboriginal Community Corrections Program	-	23	30
Child Protection Units	98	98	160
Court Support Services	100	100	150
Home Energy Advisory Service	188	188	250
Winter Energy Concessions	-	-	4500
Total	22909	38294	44788

- Notes:**
- 1) An additional \$3.5 million in Works and Services expenditure will also be provided, mainly for new housing initiatives, as part of the package Social Justice Strategy Budget initiatives.
 - 2) The total expenditure columns for 1987-88 and 1988-89 include new funds plus additional Commonwealth funds and redeployment of existing State resources.

APPENDIX B

SOCIAL JUSTICE STRATEGY INITIATIVES 1988-89

	Recurrent 1988-89 \$m	Cost to Budget 1989-90 \$m	Works 1988-89 \$m
Older Persons			
Home and Community Care ¹	7.9	7.9	
New Nursing Home Beds			2.5
Dental Health	1.5	3.7	0.3
Geriatric Assessment and Allied Health Services	0.8	1.2	
Housing Initiatives			1.4
Child Poverty/Long Term Unemployment			
Index Education Maintenance Allowance	0.5	1.0	
Further Education			
- Neighbourhood and Community Centres	1.3	2.5	
Neighbourhood Houses	1.0	1.0	
Child Care	1.2	3.4	1.0
Family Support Program ²	0.8	0.8	
Adult Literacy Strategy	2.5	3.4	
TAFE Access and Pre-employment Programs	1.4	1.9	
Rural Enterprise Initiatives	0.3	0.4	
Overseas Qualifications Unit	0.2	0.2	
Joint Venture Rental housing			2.0
Home Opportunity Loans			2.0
Supported Accommodation Program ³	1.6	1.6	
People's Rights			
Child Protection and Care			
- Government Sector	4.2	7.2	
- Non-Government Sector	6.4	6.0	
Family Violence	0.9	1.2	0.5
Consumer Affairs Package	0.5	0.9	
Legal Aid Regional Package	0.7	1.2	0.2
Targeted Language Services	0.8	1.0	0.2
People with Disabilities			
Intellectual Disabilities Services ⁴	4.7	11.8	3.3
Psychiatric Service Package	3.8	7.2	
Multi-purpose Taxis	1.0	1.0	
Aborigines			
Aboriginal Services Package	1.2	1.2	0.7
Other	1.1	0.2	
	46.3	67.9	13.3

- Notes:
- 1) Excludes an additional \$1.2 million from Commonwealth and Local Government sources.
 - 2) Excludes an additional \$1.3 million in matching Commonwealth funds.
 - 3) Excludes an additional \$2.1 million in matching Commonwealth funds.
 - 4) Includes expenditure on related disabilities services.

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