

# Welfare's Losing Battles

*In these pragmatic times welfare ideals have almost faded from view. According to Lois Bryson, it's time to put together some coherent arguments for the welfare society, before it's too late.*

**B**y international standards, historically Australia has shown only modest enthusiasm for welfare state provision. Indeed, we have been described as a "reluctant welfare state", and today this reluctance has turned to outright hostility as even the modest existing levels of provision are revised and reduced.

Debate concerned with an expanded vision of welfare and the nature of citizenship has been effectively silenced by the intellectual hegemony of conservative economics and by the view that there is an urgent need to cut government expenditure. Budget surpluses, balance of payments, inflation, industry restructuring, privatisation and, to a lesser extent, unemployment dominate the agenda. To argue for left objectives in welfare is, according to current wisdom, to demonstrate a gross form of economic luddism.

When there is talk about the need to cut government expenditure, welfare is an easy target. Public opinion can be readily mobilised against welfare spending: the dole bludger image is a hardy perennial. Support for better provision is not so readily mobilised, at least partly because those most affected are not well placed for political action (unlike, for example, students and academics in the tertiary education debate).

Even bodies which usually act as critics, such as the Australian Council of Social Service, have abandoned the defence of broader and more progressive principles, and now are reduced to arguing only over "how much" within the framework set by government. And, while the ACTU's document *Australia*

*Reconstructed* represents a welcome joining of the debate on national objectives, its focus too is restricted to the more traditional industrial and economic matters. The debate about future societal objectives is everywhere framed within conservative parameters.

The Labor government takes refuge from critics of its eschewal of broad socialist principles in the odd feeble comment about social justice, in the fact that it has a target of "eliminating child poverty by 1990", and that it has instituted the most comprehensive review of social security ever.

The goal of "eliminating child poverty", even were it to be achieved, clearly represents only a limited aspect of social justice, while in the social security review, broader issues hardly get a sidelong glance. It has been a painstaking exercise to examine carefully the detail of the system of pensions and benefits and the needs of various special groups. For, while the information is potentially quite valuable, it is destined to finish up providing a firmer basis for more precise targeting.

The lack of coherent opposition to the direction of the debate about government spending is not entirely accounted for by the political swing to the right. It is also partly due to the fact that people on the left in Australia have not, historically, developed and promulgated alternative visions of a welfare society. Thus, given that we do have to crank up the debate, this is an opportune time to raise fundamental issues which have largely been ignored.

This leads to the question: how do we provide a systematic socialist vision of what we might term a

welfare society to distinguish it from the more restricted notion of a welfare state? Clearly, ongoing debate is required, as the detail is complex, but an obvious starting point is the issue of universalism. This is a classic and fundamental term in the welfare lexicon — though to be of maximum use as a concept it must be conceived of more broadly than it has been to date.

A socialist vision of an equitable society involves universal full citizenship which, in turn, involves the universal availability of a reasonable level of economic support and services as well as the guarantee of a set of agreed rights. Universality is, however, completely off the political agenda at present, and has never been strongly argued for in the debates over welfare provision in Australia.

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## Children are more popular than welfare recipients

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Here I want to tease out some of the complexities of the issue of universalism. To do this I will first consider the retreat from universalism in Australian welfare policy over recent years and focus on the problems raised by the principle of selectivity or targeting which has been favoured. Then I will consider the issue of universalism historically in relation to the Australian welfare state, a task which highlights some major shortcomings which are built into the current system. Finally, I shall draw together some of the implications of the discussion for the socialist project and sketch out some issues which need to be addressed.

While universalism is one logical pole in all debates about

welfare provision, it has not traditionally been an up-front political issue in Australia. From the time Australia opted for funding from government revenue rather than from a contributory scheme, for pensions and benefits, it has been largely taken for granted that total coverage is neither feasible nor necessary. Virtually all entitlements have been carefully hedged by eligibility requirements and means tests. Indeed, a Scandinavian social scientist has suggested that Australia is obsessed with statistics about poverty and poverty lines only because of its limited welfare coverage. When there are strict means tests, strict cut-off points are also required.

The exceptions to selective coverage have been two benefits related to the cost of raising children. The first was the "baby bonus", a lump sum paid to defray the cost of the birth of children. It was instituted in 1912 and was not abandoned until 1978. The second was child endowment, now family allowance, which is paid to defray the cost of raising children. Instituted in 1941, its details have changed from time to time, but it was not until 1987 that it became means tested. The

universalism of these two entitlements must be seen in the light of persistent pronatalism in Australia, where children are politically more popular than welfare recipients. Relative to some social security outlays the cost of the provisions has been quite low. Neither was introduced by a Labor government. Closer analysis of the history of these provisions would be informative for strategies to promote universal provisions.

Universalism as a principle did appear directly on the national political agenda during the seventies when the Whitlam government was in power. For example, via the Poverty Inquiry, the issue of a guaranteed minimum income (GMI) was widely debated. Equal pay, the abandonment of the family wage principle, free tertiary education, a universal health service and the moves towards universal age pensions were promising reforms in the direction of greater and more equitable social expenditure. For the first time, the debate did start to address fundamental questions about universal conditions of employment, the social wage and citizenship. Given today's drought, the period seems like a veritable oasis

of political debate on the fundamental issues.

What, then, are the pros and cons of selectivity? On the pro side, the government sees the advantages of targetting to be that increased benefits can be channelled to the most needy, while keeping costs down. The government is keen to reduce the number that fall below the official poverty line, in its efforts to demonstrate some commitment to what are seen as traditional Labor principles. It wants to do this while still reducing welfare expenditure.

The simple logic that more can be done with less clearly gained dominance when a means test was applied to Family Allowance in 1987. Those earning over fifty thousand dollars were simply seen as not needing the money. The fact that the money saved will not necessarily be channelled to the poor was hardly raised, nor were other preferable methods of redistributing money towards those in need.

In addition to the cost-saving arguments for targetting, its proponents are worried about encouraging people to bludge on welfare, thus destroying work incentives. So, while only the most



extreme reject the view that because compassion must be shown, some welfare provision is necessary, many favour tight controls. The perennial cry of the Fred Niles of this world, for example, is that the supporting parent benefit encourages women to get pregnant so that they can live in comfort at the public's expense.

The following major arguments must be raised against selectivity and for a universalist approach.

- The most fundamental problem with selectivity is that it perpetuates the association between receipt of welfare and the stigma historically associated with charity and poverty. The more widely focused a provision, the more likely it will be seen as a right. A selective system divides the population into first and second (and sometimes third) class citizens.
- On the practical side, because a selective system is almost inevitably more complex, there is an increased likelihood of people not being aware of their entitlements. The quicker regulations change, the more likely this is to occur. The most needy are also the most likely to be poorly informed. Ideally, a universal system (such as encompassed by a GMI) would be simple and well publicised.
- With elaborate targetting there is increased risk of creating poverty traps. A poverty trap arises when people face economic penalties for increasing their income by even small amounts. For example a pension may be reduced by one dollar for every two of income earned over a certain low limit, producing an effective tax rate of 50 cents, or sometimes higher. Poverty traps hit hardest those with low earning capacity. Hence, women are particularly vulnerable.
- Another problem is that of maintaining the value and conditions of any benefit which is restricted to a narrowly targetted and powerless group. It is all too easy for governments to allow rates paid to decline through

inflation if the political climate changes. A change of party in government can be crucial here. When the very poor finish up being the only group who receive a particular benefit, it is unlikely that they will have the organisational capacity or the clout to prevent the erosion of their entitlements. European countries which have best maintained their welfare systems through the current conservative economic climate seem to be those which have a wide spectrum of welfare state coverage and the support of the middle class.

- Experience with highly targetted job creation and training schemes raises questions about their effectiveness, questions which currently cannot be answered. However, it does suggest that the recent budget announcements of JET (Jobs, Education and Training for sole parents) and New-Start (for the long-term unemployed) need to be monitored carefully. The problematic nature of such schemes seems likely to be associated with narrow targetting and the lack of political clout of the target population.
- Topping up the wages of the working poor via their children, as with the Family Allowance Supplement (FAS), opens the way for employers to take government "top-up" money into account in wages determination. And here we are dealing with the most vulnerable workers who are not likely to be protected by strong unions. FAS does, nonetheless, have the advantage of recognising that wages may be inadequate, where the Henderson poverty line assumes basic wages rates to be adequate.
- The form of targetting involved in FAS also diverts attention from the universal principles underlying payments for children, and encourages the conviction that these are necessary only for the poor. Hence the principle of horizontal equity, whereby members of society with few financial

obligations contribute to those with greater needs and obligations, is weakened. Since children, it is they who suffer most from the deflection away from more socialist responsibility for the care of children.

The government recognises some of these problems, such as lack of information and poverty traps, and is trying to alleviate them. However, in the long run, a more comprehensive system is likely to be the only way to overcome what are really the inherent problems of narrowly targetted systems.

When we look at the historical picture, it is clear that the idea of a welfare society has never been widely canvassed in Australia.

Early this century Australia did achieve something of a world reputation for progressive social policies, but this was largely through lack of substantial competition and through self-promotion. In any case, the early promise was not fulfilled. Again, when we look back we can see that the principles which were the very basis of the welfare state were fundamentally flawed. Only the welfare of some citizens was provided for — often meagrely. Despite the relatively early franchise for women, if we take industrial provisions and welfare together, we find that employed (non-Aboriginal) men were really the only group which achieved any protection.

The well-known Harvester Judgment of 1907 established a family wage to cater for a man, his wife and three children in frugal comfort. Women, even when they were family breadwinners, were paid generally at fifty percent of the male rate. Even men without dependants were paid the family wage unless they were Aboriginal. Many Aboriginal workers were paid only in meagre rations and, if they were paid at all, their rates were scandalously low.

The regulated wages system has been a major focus of political effort by the left, yet, as feminist analysis is now making abundantly clear, it has always favoured able-bodied white men and the new wage deals being negotiated by the ACTU perpetuate this.

Income security benefits have also historically been based on the idea of man as breadwinner, with woman as dependant and entitled to benefits not as an individual, but as mother or wife (or, in more recent non-sexist terminology, spouse — a change of term which nonetheless leaves the reality intact). A fundamentally universal approach would cease responding to people in terms of traditional family roles. The individual would be the basic unit of attention and work and income support would be locked together for all.

Another problematic aspect of selectivity is embedded in the term "welfare" itself. Welfare has historical links with charity and has persistently been used in a selective manner to refer only to transfers to the most needy, though the word can perfectly well embrace everyone. Even the entitlements of returned servicemen have been treated separately from traditional welfare payments (incidentally highlighting the advantages men have in being treated as first class citizens).

Where the wealthy benefit directly from state outlays, or indirectly from tax deductions, incentives, concessions or just having the opportunity to avoid paying taxes, these benefits are not treated as welfare or handouts. Many state-supported facilities, from national and international money markets and banking facilities through to snowfields and yacht marinas, disproportionately favour the wealthy. Such advantages are as much transfers from the public purse to the private wallet as is an unemployment benefit.

A fundamental change in conceptualising the welfare state is needed. All transfers of benefits, including revenue forgone, must be counted in the welfare equation — not just welfare for the poor. And this must be apportioned in terms of beneficiaries, not just considered in terms of gross outlays. Expenditure on, for example, age pensions looks very high — but, then, the number of aged is high. The government loss in revenue to support, for example, oil exploration might seem small, yet when taken in conjunction with the

number who will benefit directly from the profits this may well be unacceptably high. The terms selective and universal take on a slightly different meaning in this context.

The circumstances are not all against reclaiming at least some of the agenda. The continuing and increasing demand for women workers suggests they have a relatively secure place in the economy which may provide fertile ground for a move towards pay equity. The demand for women's labour bodes well for achieving increased provision of child care services, a crucial element of any agenda aimed at increased gender equality. And the smaller proportion of women outside the labour force reduces the pressure for traditional welfare support.

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**Without a vision, we will finish up by default even more firmly in the thrall of conservative forces**

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The trend to equal employment rates for men and women (something tipped to happen in the USA at the turn of the century) suggests we should consider the policy option of a contributory scheme to provide income security and, at the same time, rejoin the GMI debate. Some form of compulsory insurance has been the system adopted by most countries with well-developed welfare state provision, and there is much accumulated wisdom on the subject. In the past, because of men's and women's very different employment careers, contributory systems have perpetuated gender inequality. However, they have consistently proved more resistant to cutbacks, while throwing into high relief the issue of those unable to work. Careful analysis of the advantages and disadvantages of contributory approaches is one of the steps towards an informed debate.

When there is payment at the point of service delivery, complex arrangements to assist a few needy people are developed, with all the negative consequences of selectivity

already raised. People become unclear of their rights, are stigmatised and may be discouraged from applying for entitlements.

Payment through a taxation or contribution system tied to income to cover the cost of benefits and services is a far preferable system. Not only is it simple but, if adhered to systematically, allows for redistribution through progressive taxation rates and a claw-back of benefits according to means. The problem with such a system is that people are said to be unprepared to pay higher taxes, and we certainly have in Australia some unprepared to pay taxes at all.

Superficially, negative views about taxation appear an insurmountable barrier. But there has not been much effort expended on making clear what benefits are to be gained from such a system or through the law to make progressivity work. There are many countries where much higher tax rates are tolerated because of recognised benefits.

Australia has suffered from a lack of a well-articulated welfare debate, firmly anchored to the left of the political spectrum. Over time, this gap has had a seriously erosive effect. Here, as in other countries affected by the worldwide political swing to the right, liberal gains are being lost and the premises of a more progressive debate are slipping from view. If we do not keep rehearsing the parameters of a socialist vision, then we will finish up by default even more firmly in the thrall of conservative forces, particularly given their far better access to the media and other ways (such as the education system) of disseminating political views.

While it is clear that we are not likely to be able to change the agenda quickly (let alone the world), we do need to make a start. In fact, not having a clearly articulated position which can be persuasively put, in itself is contributing to the current losses in the "welfare wars".

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