

The reordering of the Australian welfare state

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Australian Context

- ◆ Conservative Coalition government since 1996 at national level, Labor governments at state level.
- ◆ Social policy expenditure remains steady as proportion of GDP (around 50%), but being redirected into individual rebates/subsidies and contractual welfare (quasi-markets).
- ◆ Increasing numbers of people on Disability Support Pension (280,000 to 600,000 recipients) and Sole Parents on pensions (from 250,000 to 350,000 recipients) over last twenty years.
- ◆ Strong economic growth, population ageing. Australian Government aim is to **“increase labor supply, make welfare system more sustainable and maintain safety net”**.

Major policy changes

- ◆ **Welfare-to-Work policies July 2006:**
 - Aimed at sole parents on single parenting payment; Mature aged unemployed people (aged over 50); People with disabilities on pension; and Long-term unemployed
 - Policy based on 'work- first' principles (US style paternalism).
 - People who apply for Disability Support Pension subject to 'job capacity test' (of being able to work 15 hours per week, previously 30 hours per week)
 - Single parents when youngest child turns 6-8 (moved from Parenting Payment Single to Newstart Allowance, previously youngest child turned 16)
 - Policy is likely to affect around 200,000 income support recipients over first three years

Compliance & Welfare to Work

- ◆ New penalties more punitive than the previous system of 'breaching' (introduced in 1998)
- ◆ Newstart recipients who commit a participation failure are automatically suspended from payment for the period of non-compliance. Three strikes results in '8 week suspension' of payment.
- ◆ People deemed 'vulnerable' during 8 week suspension can be 'financially case managed' (utilities paid directly to providers, rent and food vouchers up to a value of \$2,000)
- ◆ In first six months of policy being introduced around 4,500 people have had payments discontinued. Numbers increasing from 360 per month to 815 per month, only a small percentage being financially 'case managed'.

Industrial Relations Deregulation

- ◆ *Work Choices* legislation in 2006 (making work pay less?)
 - Strips powers of Federal Industrial Relations Commission (established Australian Fair Pay Commission to determine minimum pay and conditions – takes into account capacity of employers to pay and overall competitiveness)
 - Removed unfair dismissal laws coverage for business with less than 100 employees.
 - Aimed at increasing individual 'flexibility' through the use of Australian Workplace Agreements (agreements between individual workers and employers)
 - Early evidence is that women are worse off under AWAs (women earn 23% per hour less than men on AWAs according to ABS figures, many other stories of cuts in pay);

Work Choices - Welfare to Work Nexus (undoing the 'Australian settlement')

- ◆ The main function of the new compliance laws under WtW is to provide a disciplinary framework to nudge people into low paid work:

“Under the Welfare to Work legislation, and consistent with a ‘work first’ approach, income support recipients who do not accept a ‘suitable’ job will have their payment suspended for 8 weeks. However, a ‘suitable’ job no longer has to meet the relevant award”
(Smith, 2006)

Impacts of policies highly contested

- ◆ Government argues “WtW encourages greater workforce participation, higher levels of income and will lead to improved outcomes”.
- ◆ Critics argue policies lead to decreased pay rates and income support payments, higher effective marginal tax rates and unfairly penalises people through tough sanctions



Government's Evaluation – Measuring Effectiveness of Welfare to Work

- ◆ Has WtW **increased** paid employment?
- ◆ Has WtW **increased** job related participation?
- ◆ Has WtW **decreased** income support reliance?

Emerging policy tensions

- ◆ 12 Church groups and non-profits have handed back WtW contracts for 'financial case management'. Government accuses these groups of 'turning their backs on the poor'.
- ◆ Public resistance to govt's industrial relations deregulations (effective Trade Union campaign against Work Choices legislation)

Front-line of welfare to work

- ◆ Employment consultants in contracted Job Network (employment services) spend bulk of their time fulfilling contractual requirements:
 - *“I feel this system at the moment is an absolute disaster and is burning out many staff. The system is causing irreversible damage to the minds of people working in it. It creates too much paper work and not enough personal help to clients”.*
- ◆ 2005 Survey of Job Network workforce suggests staff are ‘over-worked, under-trained and inexperienced’.

“The essential problem is that the Job Network is NOT A NETWORK (capitals in original), but rather a large number of separate organisations who regard one another as competitors, and therefore, have no incentive to work as a network”.

Long-term unemployed

Semi-longitudinal study with 75 long-term unemployed people (funded by Australian Research Council):

- ◆ WtW system experienced as impersonal ('bouncing' from one agency/case manager to the next)
- ◆ Little respect for decision making capacity of unemployed people (system *infantilizes* service users)
- ◆ Work ethic is not under threat of extinction
- ◆ Operating assumption that 'any job is better than no job' is questionable (individual and social costs of 'work first' include 'churning' at low-end of labour market, 'activation' decreases confidence and feelings of self-worth)

Lessons from Australia's WtW policies

1. Aim at improving working conditions and pay (focus on work, not just welfare, include tax system, not just cash transfers)
2. Ensure investments in 'human capital' are long-term. In Australia educational supplements are now being withdrawn for sole parents (focus is on short-term assistance – 'job presentation')
3. Reframe 'work-first' as 'life first' (Dean, 2006)
4. Include cultural and material dimensions in the analysis (moral reordering and new politics of welfare)

Role of researchers

- ◆ Engage in values debate (too much measurement in Oz, too little attention to meaning). Critique the re-moralisation of social security policy, challenge assumptions, highlight silences (eg ethic of care, child poverty, work quality)
- ◆ Analysis social justice as both the distribution of *burdens* (increased surveillance, ill-liberalism) and *benefits* (resources) in society.
- ◆ Focus on service delivery (policy implementation) as controversial policy is increasingly pushed to front-line (beyond the public sphere), very little detail in the Australia's WtW legislation.

Conclusions – Worst Choices?

- ◆ Combined effect of WtW and Work Choices in Australia is likely to increase numbers of working poor (increasing labour force participation is the official goal).
- ◆ ‘Activation paternalism’ is not the only option (eg ‘social investment state’, ‘human capital’). Failure of political leadership in Australia to examine other models.
- ◆ OECD ‘activation discourse’ is poly-vocal (mediated by historical context, political traditions, social institutions, cultural values).
- ◆ Economic growth likely to continue, but so will income inequality in a deregulated labour market.
- ◆ Decline of public providers of welfare limiting capacity for public scrutiny of policy (organizations protected by ‘commercial in confidence’ clauses in new mixed economy of welfare). Diminished public sphere!