

Who's Afraid of the Welfare State? Contemporary Debates about the State of Flexible Work / Flexible Welfare

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Welfare States: Flexibility and Dependency

Fear of the welfare state is evident and growing virtually into the dimensions of 'moral panic' in contemporary Australia and in Anglo-American countries with similar welfare regimes and welfare traditions. This moral panic is generated primarily at political/official level, but also enjoys a considerable following at community level, as a result of the mobilisation of mistrust of welfare state policies and, more particularly, the identification of a so called 'culture of entitlement to benefits', a culture of 'welfare dependency' bastioned by publicly provided goods such as health care and education. There are strong indications that the fundamental legitimacy and cultural acceptance of the tenets of Australia's post-war welfare state are being subjected to processes of concerted de-legitimation.

The most visible, accessible and public manifestation of these processes is the official naming of the state of welfare dependency or, more accurately, any form of 'public dependency', as the anathema of independent man operating individually, autonomously and flexibly in the labour markets of late twentieth century and *fin de siècle* flexible capitalism.¹ The concept of 'dependency' has been a key-word of the politics of welfare discourse and practice for more than forty years, but has gained particular ascendancy in periods of high unemployment since

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the mid-1970s and, in particular, in the last decade as forms of employment have been increasingly transformed into the flexible arrangements, the core/periphery models of internationalising labour markets. The concept of dependency has gained greatest credence since the mid-1970s in the context of high levels of unemployment and long-term unemployment (compared with the first three decades of the post-war period), and even more recently with the increase in forms of casualised, precarious employment, compared with the social expectation of a secure working life-span which was the key characteristic of adult male employment throughout the post-war boom. A recent OECD report notes that 'a number of OECD countries face a growing gap between those who are well placed to profit from the new career opportunities being created by technology and globalisation and those who are not. The evidence suggests that there has been a structural shift in the labour market to the detriment of the less well educated and low skilled'.² It is in this context that the official gaze turns to 'dependency', which focusses attention on the social and individual consequences of economic and labour market transformations, 'individualises' what is essentially a structural economic and political issue, and hence narrows substantially, and indeed shapes, the scope and content of policy debates.

What are the historical bases of post-war welfare states? The development of various forms of welfare state provision in the western market economies during and immediately after World War II were predicated in many countries, in particular the United Kingdom, Australia, Western Europe and the Nordic countries, on what Anglophones think of as the Keynesian and Beveridgean principle of 'full employment'. Welfare state policies and practices were not first and foremost about welfare or social security: they were primarily concerned with the macro-economic and cross-national regulatory controls and agreements which would generate and maintain full employment in the post-war world. Australia has its own significant history of the full employment/welfare state nexus: the 1945 White Paper, *Full Employment in Australia*,³ attributable to the leadership of the Keynesian economist and Commonwealth Government bureaucrat H. C. Coombs, at that

time Secretary of the Department of Post-War Reconstruction, posited that the Australian economy could be lifted to, and maintained at, a full employment equilibrium if there were sufficient central government intervention, investment in economic and employment growth, and various forms of regulatory control, in particular of financial and labour market institutions.⁴ In his autobiography, *Trial Balance*, Coombs articulated his belief that Keynesian economic policy in war-time and in the post-war period was influenced by 'a philosophy based upon a faith in the power of government intervention to contribute positively to the sum of human welfare, to civilise the content and the distribution of the product of its efficiency'.⁵ The Australian post-war welfare state was seen by Prime Minister Chifley as a 'safety net' which would be required to support working men and their families only when the short-term calamity of fractional or seasonal unemployment befell them. The more structural system of benefits for women with dependent children (including widows and deserted and divorced wives), payments through the transfer and tax systems for families with children, pensions and benefits for the aged, the sick and people with disabilities—all conditions which were seen to preclude employment—was consolidated in 1942–47 as essential elements of what Titmuss would have called legitimate public dependency. This was socially and culturally accepted and expected in the 'new social order' after the tragic depredations of the Depression of the 1930s and the Second World War. For about 30 years following the end of the Second World War, various Commonwealth and State governments across the political spectrum utilised various forms of public investment in employment growth and regulatory controls, including high trade tariffs which protected the Australian manufacturing sector, policies which saw employment growth remain strong and unemployment rates remain low. The high tariff barrier of those decades is hardly a policy to be resurrected, given that its protective reach included inefficient industries and management practices. However, from the mid-1970s, Australia and most other OECD countries have been shaken by four bouts of declining economic growth accompanied by increased rates of unemployment,

particularly long-term unemployment, and by labour market deregulation, which has resulted in a considerably greater proportion of jobs which are casual, part-time and precarious, described as the transformation to flexibility in a globalising economy. In association, these economic transformations have been followed or accompanied by advancing or promised commodification of health, human services and basic amenities, compared with earlier post-war developments.⁶ Neo-liberal critiques and partial or fundamental dismantling of post-war systems of social protection emerged in the Anglophone countries, including the United States, the United Kingdom, Australia and New Zealand.⁷

Social citizenship rights in Australia and similar countries in the post-World War II welfare states were based, and seen to be based, on the promise of combinations of secure and adequately remunerated employment and other forms of social protection through tax/benefit systems. The loss of this historical basis of welfare in the political and community consciousness, indeed the ahistorical nature of contemporary debates, allows for the conceptualisation of working age people who rely on social security or who do not participate in paid employment (unless they are partnered with children) as being dependent and a drain on the resources generated by economically active citizens, whilst those who are employed are viewed as *independent*. This dichotomisation, this characterisation which is a particularly insidious version of the notion of 'social parasitism', is characteristic of late-twentieth-century neo-liberal thought, as it was of the 'less eligibility' principle underlying various nineteenth-century Poor Laws. Such rhetoric is of course a denial of mutuality and interdependence. The objective of welfare states was to create a system of recognised *interdependencies*, of social rights and responsibilities necessary to reduce market-driven inequalities and to safeguard human dignity and freedom. The debate about freedom and independence in neo-liberal welfare discourse and practice, on the other hand, constitutes the isolated, atomised individual as the centre of morality and value in welfare and civil society, in such a way that redistribution through the tax/

benefit system is de-legitimated, that regularised protection of the wages system is de-legitimated, that adequate public investment in education, employment and training programs and public health provision is de-legitimated and, in the process, the social integration of communities is placed in jeopardy. The most important issue to be noted is that the market and masculine-centred dichotomy of independence/dependence is presented as if 'the normal human condition is independence and dependence is deviant', as Fraser and Gordon pointed out in 1994. This is clearly an asocial and amoral, as well as profoundly ahistorical, construction of the human condition as essentially non-social.

The Globalisation Debate

Debates about the new flexibility of labour markets and the new flexibility of welfare must be situated in the context of internationalisation. There is an increased acceptance of the view that the national impacts of the internationalisation of financial and trade markets cannot be influenced, modified or controlled by national government policies in respect of labour market, wages and welfare policies, which are seen as increasingly shaped and constrained by the imperatives of maintaining international competitiveness.

On the one hand, global interdependence in financial markets has given impetus in some liberal democracies to the market-driven logic that the maintenance of international competitiveness is impeded by national government regulatory controls and social investment (as well analysed by Mishra).⁸ This logic asserts the powerlessness (or foolhardiness) of national governments to seek to intervene effectively in the generation of employment, the lowering of unemployment and the development of an incomes policy designed to reduce, rather than exacerbate, inequality. The contrary logic notes that internationalisation promotes co-operation in the enforcement of human and social rights, and co-operation in providing education, research and development opportunities and—in the dissemination of ideas, technologies, cultural, literary and artistic production—a flow of material, intellectual, social and

cultural benefits, which indicates that the globalisation of trade and financial markets may also be harnessed to more beneficial outcomes. Comparative research indicates that even in globalised economies, policy responses to the growth of unemployment and potential social exclusion in various countries are comprised of different combinations of employment, education, training and social protection policies, producing either positive or negative impacts on job growth, reduction of unemployment and the mitigation of inequality.⁹ In one of the most important areas—the increase in income inequality over the last two decades in a number of countries of the OECD area, consequent on economic transformations, labour market and wage deregulations, and the generation of unemployment—the increase in inequality has not been uniform across these countries. The extent of the increase in inequality is a consequence not only of a country's relative immersion in the global economy but, more pertinently, of its own domestic public policies, its own assemblage of social protection measures designed to mitigate unemployment, to reduce unequal access to adequately rewarded jobs, to increase access to education and training and to mitigate social exclusion.¹⁰ In other words, governments can, and do, make a difference and are not the helpless victims of international forces—indeed, to claim that they are is to subsume them within the penumbra of 'dependency', to deny their capacity to act autonomously with a view to the development of autochthonous policy.

What are the key millennial debates framing welfare state anxiety in Australia as it moves into the twenty-first century?

- Justifications of, and policies to counteract, the acceptance since 1975 of high levels of unemployment, in particular, long-term unemployment, and the growing incidence of precarious, casualised employment, perceived as an inevitable consequence of labour market deregulation and international trade competition. These are debates about the future of employment and its remuneration.
- The increase in income inequality and levels of poverty over the last two decades. These are predominantly attributable

in Australia, as in other OECD countries, to the increase in inequality of market incomes (derived from earnings, capital income, and self-employment income), and an increased dispersion of incomes, mitigated to some extent, but not sufficiently, by redistributive social policies. These are debates about the future of incomes policy in an internationalised financial system where it is widely held that a lower wage regime, accompanied by less generous, highly targeted and much more harshly scrutinised welfare arrangements (enforcing the unequal bargain of mutual obligation), is mandatory for achieving a competitive international position. The OECD calls this a ‘race to the bottom’, when governments see globalisation demanding the reduction of social protection in order to maintain a competitive edge.¹¹ The opposing view is that a strong wage regime, and investment in employment generation, education and training, as well as other social protection measures for those who are adversely affected, or benefit least from globalisation and the increased application of technology to industry, do not impede competitiveness. Such policies reduce destabilising and damaging inequalities, and generate a much better educated and skilled community and labour force.

- The fracturing of the apparent bipartisan social consensus around respect, tolerance and policy acceptance of Australia’s cultural, ethnic and linguistic diversity—more broadly, debates about the future of Australia’s social cohesion.

In this paper I will address only the first two matters, and return to the last significant issue in a later paper.

The unifying theme for the three elements of the moral/ethical debate about creating an Australian public policy response to the increased trend to flexible labour/flexible welfare in the next millennium—the future of employment and its remuneration; the future of incomes policy; the future of social cohesion in multicultural Australia—is the marked contradiction between the economics of market dominance and the politics of social inclusion. All of these debates are premised on the basic assumption that there is a powerful, indeed essential, role for government, not

only as arbiter and legislatively empowered regulator (a role for governments made, paradoxically, even more essential as more elements of the economy and labour market are deregulated), but also as provider of increased social investment in a wide range of educational, physical and social infrastructure, i.e. in public goods which increase the overall well-being of Australians and promote the more equitable distribution of well-being. According to Fred Argy in his recent insightful book, *Australia at the Crossroads*, 'the increasing globalisation of capital markets has made governments less able or willing to take discretionary fiscal or even monetary counter-cyclical action'.¹² Yet, Argy says, in the interests of social equity as well as effective economic policy, which generates both a net increase in social well-being and a better distribution of well-being, it is essential that national governments curtail what he calls 'the extraordinary influence exercised by globalised financial markets on economic, social and labour market policy' and exercise responsibility in promoting 'greater international co-operation and intervention (both on economic and social issues) to maximise the ability of individual countries to pursue their own social and economic priorities'.¹³ In such a construction of the problem, the gaze turns from the alleged dependency of individuals, even, as it is said, generations of individuals, to the professed dependency of governments, asserting their powerlessness to act in the face of the global juggernaut.

A very similar argument is made by the recent report on social policy published by the OECD,¹⁴ which argues that adequate, equitable and effectively delivered systems of social protection (tax/benefit policies; education, training and employment policies; and public health policies) are essential in providing social infrastructure for successful national responses to internationalisation. Increased, rather than reduced, levels of social protection are seen by this OECD report as essential in redressing inequalities of opportunity and income, improving access to employment, and promoting social inclusion as a countervailing trajectory to international market pressures. Such insights appear not to have penetrated far in Australian public policy debates. Rather, the sense of social insecurity and welfare state fear, which the impact

of internationalisation has generated through the erosion of secure employment and of an adequate community service infrastructure, has become compounded by contemporary debates which further insist that welfare is itself the problem, rather than one element of a larger social protection assemblage.

Transformations of Work in Australia: The Rise and Fall of Full Employment and the Increase in Inequality

Let us consider the possible impact of placing once again the idea of 'full employment' on the policy agenda. This requires a careful redefinition of the elements of 'full employment' in a radically altered labour market and in a period when the expectations of women and men about education and employment through the working life span show a trend towards convergence, and when the better integration of the responsibilities of work and care have been given insufficient attention.

Labour market changes in Australia include a decrease in the importance of manufacturing in the overall economic and industrial structure, especially in the older forms of low productivity, labour-intensive manufacturing, and in the increased share taken by the service industries in the generation of GDP, with concomitant changes in the national and international organisation of manufacturing as well as the service industries. In the OECD countries the share of all employment accounted for by the service sector rose from less than 50 per cent in 1970 to around 65 per cent in 1992, with most of the job growth in the 1980s occurring in services such as finance, insurance and business services, and community and personal services.¹⁵ Further, manufacturing itself has been changing its mode of organisation with the 'contracting out' of non-core services, again with major implications for the type of jobs which are generated.¹⁶ In some countries such changes have resulted in the emergence of a two-tiered labour market, comprising a core of secure, well paid workers and a growing periphery of insecure, casual, part-time workers, who are most at risk of recurrent bouts of unemployment.¹⁷

In some countries, including Australia, these trends have been

accompanied by an increased incidence of part-time and casual employment and irregular self-employment, characteristic of the organisation of the service industries, and by the reduction of full-year, full-time employment in manufacturing and construction. This has been called, with justification, 'precarious employment'—employment circumscribed by very limited duration contracts.¹⁸ The OECD notes that, in the period 1984–94, the proportion of temporary employees as a percentage of all employees increased in Australia, France, the Netherlands and Spain, in Australia from about 16 per cent in 1984 to almost 24 per cent in 1994.¹⁹ A comprehensive Australian analysis indicates that casual employment tends to be low skilled, to involve jobs for which little training is required or received, and to have limited career prospects.²⁰ In addition, as Richard Sennett has compellingly argued,²¹ it is not only jobs in manufacturing and the lower reaches of the most casualised service industries which have been affected. The nature of jobs and the conditions of employment in professional, administrative, executive occupations have also been subjected to expectations of a pervasive in-house competitiveness to match the forms of external competition, and to a work intensification in which paid work time devours most other aspects of private time, family time, and sociability time. This is a context of over-work in which welfare state fears, indeed welfare state condemnation, thrive. The over-worked compare their lot with that of the under-worked and see themselves as disprivileged. The nails in the welfare state coffin have here their strongest hammer blows.

Such labour market transformations in Australia and other OECD countries have been accompanied by changes in the distribution of wages, changes which differ according to public policies which have either mitigated or exacerbated the trend to greater wage inequality. From the early 1980s, growth in real wages moderated, and wage shares in national income fell back to, or even below, their 1970 levels. In the Anglophone countries, including Australia, there were falls in the real wages of low-paid workers, and the wage differentials between low and high-skilled workers widened with increased inequality in the dispersion of

wages. In the continental European countries, on the other hand, wage differentials were either broadly unchanged, or inequality increased only slightly.²² The 1994 OECD *Jobs Study* speaks of unemployment taking two forms: either overt unemployment or low-paid, low quality jobs. High rates of unemployment in Europe, Canada, Australia and other Anglophone countries are matched by an increase in the proportion of poor quality jobs in the United States, while in that country officially-recorded unemployment rates have fallen.

There has been an additional direct impact of labour market transformations on income distribution, in this case on the source of income, as a greater proportion of the employment-age population has been compelled to rely on social security income support in periods of labour force exclusion. This has occurred not only because of the traditional contingencies of severe illness and disability and infrequent periods of short-term unemployment, as had previously been the case in the post-war welfare state, but, in much greater numbers, because of exclusion from full-time, secure, labour force participation as a result of long-term unemployment, involuntary labour force withdrawal before the normal retirement age, and the joblessness associated with child care responsibilities for sole parents.²³

Comparative data analysed by Whiteford indicate that market wage inequality for men and women increased over the 1980s in most of the OECD countries studied (the USA, Canada, the United Kingdom, Japan, Austria, the Netherlands, Sweden and Australia).²⁴ Compared with the USA, Canada and the United Kingdom, the increase in market wage inequality over the period 1975–91 was less great in Australia, and the ratio of female to male wage rates was significantly closer to equal. The factors which tended to put a partial brake on the increase in market-driven inequalities are attributed to Australia's centralised wage-fixing institutions, which were still in place in the 1980s. Despite these countervailing trends, a mounting body of research indicates that since the early 1980s inequality in private incomes increased in Australia, whether income is measured pre- or post-tax.²⁵ This is attributed to increased inequality in the

dispersion of market incomes, mitigated, but not sufficiently, by the redistributive impacts of social policies, including social security, public health and housing policies.²⁶ The increase in inequality derived from market incomes is attributed to higher rates of unemployment, mainly affecting workers in low skilled jobs, and putting downward pressure on wages; and to technological changes in the workplace with the demand for a more highly educated and skilled workforce which has increased the earnings differential between highly skilled workers and those considered less skilled, whose employment has become more precarious.²⁷ Peter Saunders, in a comprehensive, comparative review of income inequality, points to market-driven forces and the impact of globalisation of the world economy on labour markets within industrialised countries.²⁸ In the Australian context, John Nevile²⁹ identifies deregulation, not only of the labour market but also of financial markets, as an important factor causing the increase in inequality.

Using Peter Saunders's most recent analysis, it is apparent that the following changes in the distribution of income have taken place over the 1980s and 1990s:

- a substantial increase in overall inequality as well as the degree of inequality within age, gender, educational and industry groupings;
- a trend to inequality that has primarily been driven by increasing inequality in market incomes, offset to some degree by redistributive social policy measures;
- a general tendency for most of the distributional change to take place at the top of the distribution, with the top 10 per cent increasing their share of income, while social security and family income support reforms through the transfer system protected, to some extent, the family incomes of those at the bottom of the income distribution. These two tendencies have resulted in the income share of those in the middle of the income distribution falling somewhat, not, however, to the advantage of the lowest income recipients, but to the advantage of the highest income recipients.

- a preliminary analysis of recent ABS figures indicates that, over the 1990s, the income share of the lowest 20 per cent of income recipients has fallen since the late 1980s, while that of the top 20 per cent has risen further.³⁰

In examining this issue in relation to the distribution of work and the distribution of poverty, Saunders notes that 'work remains the main source of income for most people and it is mainly in the world of paid work (or the lack of it) that the profile of income inequality is determined'.³¹ How has this increase in income inequality affected the number and proportion of the population in poverty in the 1990s? Using the Henderson Poverty Line over the period 1975–76 to 1993–94, Saunders concludes that the poverty rate among working age families increased from 7.9 per cent to 15.6 per cent, with the biggest rise being for single people and, in particular, sole parent families. The rise in poverty for couples with and without children was evident, but it was not nearly as great as for single people and sole parent families. In the mid-1990s, poverty rates for people of working age stood at 20 per cent for single people, 30 per cent for sole parent families, 15 per cent for couples with children, and 6 per cent for couples without children. Almost half of all poverty among working age people is in families with only one potential adult income earner, highlighting the overwhelming importance of two factors in guarding against poverty: having at least one adult in the family in a full-time job, and, further to that, having a second income as an even stronger bulwark against poverty. This is a critical issue in a climate where many elements of government policy appear to have the objective of creating disincentives for women with children to enter and remain in employment, through changes to the tax system and through great reduction in the affordability of child care, and where rapid labour market transformations are making access to full-time, reasonably secure employment more precarious for both men and women. While a family with two earners is a significant guarantee against poverty, this is the case only if one partner is working full-time. Protecting couples and sole parents with only part-time earnings from falling into

poverty would involve very substantial increases in family payments to low income families with no one in full-time employment. I will return to this policy issue below.

In the United Kingdom and the USA and in some parts of Europe there has been an increase in the number of employed people defined as the 'working poor'—employees whose wages are not sufficient to provide them and their families with a decent basic income, according to standards accepted in their countries as adequate. This has occurred because high levels of unemployment over the 1980s exerted downward pressure on earnings in a climate of labour market deregulation, which was accompanied by reduction or removal of safeguards on low wages through dilution or removal of minimum wage regulations.³² In Australia, at least in the 1980s, a reasonable minimum floor for wages and basic employment conditions was protected for most employees, as an effect of award wages determined by the centralised wage fixation institution, the Australian Industrial Relations Commission, and by Commonwealth legislation which has since been superseded. Concerns have been expressed, however, that the acceleration of individualised contractual forms of wage bargaining and the greater casualisation of employment conditions through industrial relations legislation will exacerbate the inequality of market income distribution, halt or reverse the gains made in closing the gender gap in wage rates, and increase the prevalence of low-paid jobs.³³

Flexible work/flexible welfare: the contested debates

In liberal and social democracies, various forms of social protection affect the distribution of social advantages and disadvantages, both among persons and through each person's lifecourse.³⁴ What have been construed as the purposes of social protection? I consider these three to be the most important: prevention and elimination of poverty; reduction of inequality; creation of social integration and solidarity. At the same time, it is also the business of social protection to construct investment policies, and employment and labour market policies whose concern is the

sustainable creation of high levels of employment and the reduction of unemployment. Markets themselves are politically constructed and therefore the product of many forms of regulation (or the relative absence of regulation), while the processes of social protection involve not only social security systems and revenue raising tax processes, but policies concerned with employment, unemployment, wage determination, housing, transport, health and education. Ultimately, social protection matters fundamentally because no society can be sustained on the basis that individuals are treated like commodities.³⁵

The first issue to be addressed is whether or not governments should invest explicitly in employment growth: whether public investment in employment, education and training programs should be sufficient to increase employment and reduce unemployment in a substantial and sustainable way, and to reinstate the principle of 'full employment', rather than being no more than an intermittent and partial response to recession, rapidly reduced or withdrawn at the outset of economic recovery, or seen as a suitable object of expenditure cuts in an agenda of budgetary contraction.³⁶

The second issue concerns the future role of an incomes policy in providing an adequate basic income in a substantially changed, increasingly deregulated labour market. The traditional expectation of the distribution of paid and unpaid work (a previous model of full-year, full-time employment for male workers through a full 'working life-time', accompanied by interrupted, casual and part-time employment for women with children) no longer holds, and, paradoxically, the casual labour/intermittent employment/flexible labour models, previously the domain of women, are penetrating into what has been called mainstream employment. This is manifested as a debate about the advantages and disadvantages of reinforcing the 'targeting' and scrutinising of welfare (social security and community services) in a climate where fiscal imperatives and budget deficit reduction are given primacy in the policy debate, without reference to other inter-related public policy issues: the expansion of revenue by the reduction of unemployment and the broadening and strengthening of the tax base.³⁷

If a new basis for welfare state policies were to be constructed

in the twenty-first century, what form of employment policy would it require? Is there any evidence that a thoroughly contemporary concept of 'full employment' has entered policy debate, and that ways to achieve this goal have been pursued in public policy in the 1980s and 1990s? The very idea of full employment was abandoned, either intentionally or by default, from the mid-1970s and very briefly re-invoked in official policy in the 1993 Commonwealth Government Green Paper *Restoring Full Employment*.³⁸ This was the point at which a number of voices in community organisations and the universities attempted to mobilise support for full employment (redefined to meet contemporary social needs) to be re-instated as an overarching policy priority.³⁹ These commentators argued that such a priority would require established targets for sustained employment growth, targets for the progressive reduction of unemployment; and programs to ensure that long-term unemployed people and disadvantaged job seekers are able to benefit from education, training and employment growth, rather than remaining the victims of labour market restructuring, even when the rate of employment growth is strong.⁴⁰ Plans for increased investment in education, training and employment programs were projected in the 1995/96 budget, but subsequently cut substantially by the Coalition Government from 1996. The emphasis lies currently on 'workfare' programs, and the 'work for the dole' scheme, which is much more concerned with the conditions attached to income support eligibility—the notion of mutual obligation—than with employment and training programs, or a dedicated pursuit of investment in jobs growth. Where now sits the national and international debate about policies to achieve full employment in the next century?

Employment, Education and Training Policies

Turning first to employment policies, the research, with varying emphases, identifies the elements of a sustained strategy: longer-term employment growth based on wide-ranging investment in infrastructure and regional development;⁴¹ sustained investment in education and training programs, to ensure both the equitable

distribution of job opportunities in the context of economic growth and a more efficient labour market; setting in place continuing education and training for people in employment (life-long learning to educate broadly and flexibly for the transforming labour markets of globalised production and trade); along with policies which enable formerly unemployed and precariously-employed people to move into secure, high quality jobs, rather than being 'trapped' on the margins of a divided labour market.⁴² Such policies are based on the premise that labour market programs should not only have the short-term goal of support for job search, job placement, and improving the skill levels of unemployed, particularly long-term unemployed, people, but should also support their movement from the periphery to the core of the labour market.

What does international research indicate about the effectiveness of measures to reduce unemployment, long-term unemployment and labour force marginality? OECD analyses indicate that, in the majority of countries, labour market programs improve access to the labour market and to jobs, develop job related skills, promote more efficient labour markets, and strengthen the links between growth of aggregate demand, job creation and the supply of qualified labour. Moreover, programs are particularly appropriate for improving the job prospects of long-term unemployed people and those with limited job qualifications. Such programs, to be of high quality and hence effective, cannot be designed and delivered as cheap and expendable, precariously-funded options. They are essential components of employment, education and training policies, for as long as structural unemployment persists. This requires not only substantial investment but, more importantly, the planned integration of shorter-term labour market programs into overall longer-term education and vocational training policies, so that unemployed people and vulnerable employees are re-integrated into more secure employment.

Wages Policy

An alternative approach to policies for reducing unemployment rejects the evidence of the efficacy of labour market programs and

government intervention to stimulate employment growth and focusses on the wages system. The proposition is put that a 'trade-off' can be made between unemployment and lower wages, that better employment outcomes can be achieved if the protection of wages and conditions for employees is reduced and the incidence of low-paid jobs increased. Greater labour market flexibility and the diminution of the authority of centralised institutions of wage regulation are seen by some commentators to be justified as a way to reduce the labour costs of less skilled workers and hence to make them more competitive in the job stakes.⁴³ Other commentators describe this as a program of labour market deregulation whose objective is the winding back of systems of protective labour regulations on the supposition that greater labour market flexibility will enable the price mechanism of wages to balance supply and demand.⁴⁴ Given the social costs of such a 'trade-off', are there any gains to be made through the reduction of unemployment? The 1994 OECD *Jobs Study* notes that the USA has a much higher incidence of low pay than most other OECD countries. Over one-quarter of all full-time workers in the United States earn less than two-thirds of median earnings, compared with one-fifth of full-time workers in the European Community and one-tenth in Australia. In Australia the debate is focussed on the effects of more thorough deregulation of the labour market and the wages system through the extension of enterprise bargaining and the increased spread of individual employment contracts, as well as the dilution of both the award system and the role of trade unions in wage bargaining.⁴⁵ Some community sector voices are advocating the retention of a floor of wage regulation through the Australian Industrial Relations Commission and the awards system, and the provision of a strong 'safety net' of a 'living wage' and protective standards for all employees, particularly the least industrially powerful in a context of enterprise bargaining.⁴⁶ Such advocates also argue that the strengthening of employment leave arrangements, including annual leave and sick leave, leave for family purposes, maternity and parental leave, and the movement to shorter rather than longer working hours, are necessary to ensure good living standards and

overall well-being where the better integration of family and employment responsibilities are recognised. There are also important claims made for safeguarding the principle of 'equal remuneration for work of equal value', which has had an equalising effect on the disparities in male/female wages since the mid-1970s, and for safeguarding the right to collective representation through trade unions. But there is little indication that the keywords of flexibility and deregulation in wages policy are anything other than in the ascendancy.

The Future of Incomes Policy

In the attempt to place the concept of 'full employment' into a contemporary context, it has been argued cogently that 'work' must be redefined to encompass a range of socially accepted and valued modes of participation, including caring work, which is essential to the well-being of dependent children and other vulnerable family members (e.g. those with a disability and the aged), and return to education and training, among other factors. The point is made that full employment cannot be achieved by demanding that all adults are engaged in market employment throughout the full period of their adult life; such total commodification of labour would diminish recognition of the many forms of social contribution which enrich family and community life. Consideration of this issue moves the focus to incomes policy through the tax/benefit system for people of employment age and their families.⁴⁷ Fundamental questions are being asked about the role of the tax/benefit system not only in respect of people excluded from the labour market by unemployment, illness, disability, or the responsibility to care for dependent children or a severely ill or disabled partner or close relative, but also in respect of employed people whose earnings are too low to support them and their families adequately.

The most recent OECD Report has identified two alternative strategies emerging in the OECD countries with regard to incomes and wages policy.⁴⁸ Both require the interaction of wages policy and the tax/benefit system, or other forms of government support

policies. Both are concerned with reducing inequality associated with low-paid jobs. The first strategy involves allowing wage inequality to increase, as a spur to increased hiring by firms, while also putting in place employment-contingent benefits for low-paid workers (with and without children) through cash transfers or tax credits to provide income supplementation. The second strategy uses a wage floor, e.g. through minimum wage legislation, and provides a wage subsidy to employers to encourage the hiring of employees who would otherwise remain unemployed. The fear is that neither strategy is adopted, i.e. wage inequality is allowed to increase without a fully thought through tax/transfer policy to supplement inadequate market incomes; or wage floors are maintained, without a fully thought through system of wage subsidies, to enable unemployed people to gain employment experience and associated training. This raises the question: does the tax/benefit system have a key role in providing an adequate basic income in an increasingly deregulated labour market?⁴⁹

There are at least three significantly different conceptions about the future role of the tax/benefit system under changing labour market circumstances. The first, which is current policy, focusses on more narrow 'targeting' of income support payments and closer surveillance of income support recipients and tighter eligibility conditions, as implemented in: the abolition of unemployment support for adolescents aged 16–17 years, and tighter, parent-based income-testing for young adults through the 'common youth allowance'; the 'work for the dole' scheme; extension of the waiting period from three months to two years after arrival for many categories of migrants before they gain eligibility to claim income support; tighter scrutiny of income support for sole parents. The clear objective is to make income support considerably more conditional and to enforce more vigorously tougher compliance obligations.

A second approach has been aired in Australia but not become explicit policy. This looks to reduction in the rate of income support payments in line with reduction in wages for employees in the lowest ranges of the wage distribution.⁵⁰ This debate is framed in terms of incentives to unemployed people to take low-paid jobs,

without reference to the changed nature of the labour market, or to the research which identifies the already low replacement rates of income support payments, compared with average wage rates. An OECD study in 1998 indicates that the income replacement rates for people in Australia receiving income support, compared with the average wage received by those working full-time in the manufacturing sector, was 38 per cent for a single person, 74 per cent for a couple with two children, and 54 per cent for a sole parent with two children.⁵¹ Empirical investigation indicates that only very rarely (if ever) are income support recipients 'better off' than they would be in paid work, and the main cause of increased dependency on income support is the 'absence of sufficient jobs'.⁵² The OECD dismisses a strategy of reduction in benefit levels, stating that such a policy is very likely to have harsh social consequences, increasing exclusion and poverty and having no positive effect on employment.

A third approach departs fundamentally from the principles inherent in the two above. The concept of 'citizens' income' or a 'guaranteed minimum' is put forward in the United Kingdom and Europe by advocates who seek to revitalise the social rights of citizenship by making social security/social assistance systems more inclusive, particularly under changing labour market conditions. Proposals take various forms according to their advocates, but are reasonably characterised as a tax credit/transfer payment or minimum income guarantee, made to all citizens, not on the basis of current or previous income or workforce, but based only on the criterion of citizenship.⁵³ The as yet muted debate in Australia focusses on the much more realisable and feasible objective of replacing the increasingly complex set of differentiated income support payments for people of working age, which historically has depended on meeting the eligibility criteria of various 'categories', with a generic income support payment, which could be in the form of a benefit or a tax credit.⁵⁴ In addition, in a changed labour market and wages policy environment, questions have been raised as to whether such payments should be utilised only as replacement income for people excluded from paid employment by various contingencies, or also used as a guaranteed

income for employed people whose income falls below an agreed minimum. This approach is based on research which demonstrates that the increased market income inequality and poverty generated by high levels of unemployment and deregulatory policies in Australia in the 1980s-early 1990s was mitigated to some extent by redistributive social security policies.⁵⁵ A recent OECD report on social assistance programs concludes that they played a major role in easing economic transitions in the late 1980s and early 1990s, during the deepest recession since World War II.⁵⁶

The nub of my argument is that any conception of 'full employment' in contemporary labour market and social conditions must focus not only on much increased investment in education, training and employment growth, but also on social policies concerned to combat social exclusion and to mitigate inequality. If all human endeavour and community/family participation throughout adult life is to revolve, of necessity, around labour force participation, then all modes of social participation would be marketised. Where then are the 'social spaces' in which other modes of legitimately recognised social participation and contribution can be supported and facilitated? If such spaces are to be identified and embedded in a policy of full employment, attention might turn to the following forms of social and economic participation: participation in paid work, both full- and part-time; being unemployed and looking for work; participation in education or training through the life span; involvement in unpaid, non-market caring work in family, household, extended kin network; and participation in a range of community projects. The overriding objective is to ensure that combinations of market income and tax/benefit support provide adequate social protection and the basis for participatory citizenship. It is the principle of adequacy which demands urgent attention, adequacy of income derived from combinations of market earnings and tax/benefit payments in a much more integrated way than is now the case. It is also of great importance to provide an adequate tax/benefit floor for low-paid workers in an increasingly deregulated and casualising labour market.

The 1994 OECD *Jobs Study* raises the option of more integrated

tax and benefit systems of the negative income tax or tax credit type, and goes on to rule them out on the basis of likely cost and of inadequate attention which may be paid to reducing poverty. The arguments nevertheless provide a strong rationale for tax/benefit reforms which depend upon closer integration between these two systems. The objective is to ensure that people and families in employment receive higher post-tax/post-benefit income than do people totally reliant on income support, an objective which requires that low-paid employees, particularly those with children, receive additional income support whilst in paid work, and that more liberal income tests apply in respect of unemployed people whose only option is part-time employment (an increasingly common experience). These sensible suggestions reflect not only a desire to reduce the high effective marginal tax rates which apply to work force transition in many OECD countries for people who have been on income support, but also signal a strong rejection of the very idea of 'dependency'. Are low-paid employed people with children and part-time employees whose inadequate market incomes are augmented by social transfers, 'dependent'? Clearly, this would be a very misleading, indeed mischievous, way to connote the combinations of market wage and social wage increasingly likely to be received in a flexible labour market. A subsequent OECD Report on *Social Assistance in Australia, Finland, Sweden and the United Kingdom*⁵⁷ argues in this vein—that tax/benefits systems are increasingly expected to provide a minimum income guarantee in increasingly deregulated economies.

Conclusions

The choices facing Australian public policy are poised between a new model based on distributive justice, developed from Australian conditions, and what Argy calls a 'radical free market' model, characterised by labour market and wage deregulation without the necessary tax/benefit and other social protection policies to reduce inequality and social exclusion. There is little doubt that the reduction of inequality and the fostering of social cohesion must

rest on policies which adopt a 'social investment', rather than a 'social expenditure' approach to economic as well as social policy, and that necessarily requires a long-term view of social as well as economic costs and benefits. Only when social exclusion as a result of unemployment, joblessness, inadequate income support or low pay is considered by governments and the broader public as anathema and inimical to living in a cohesive society will policies promoting the better distribution of well-being become central to Australia's political, economic and social institutions. This will require attention to tax policy which is predicated on raising sufficient revenue to invest in social infrastructure: increased investment in jobs growth on a regional basis, education and training, and child care. And this needs to be done in an unhelpful environment where tax policy debates are much more concerned with reducing personal income tax and company tax and changing the tax mix, rather than placing tax into an arena where fundamental questions are asked about the purposes of equitably-raised tax revenue for public investment in a productive and cohesive civil society.

In the contested debates which are being waged in Australia about the economics of market dominance and the politics of social inclusion, redefining and restoring full employment is the imperative. This will require: significant and sustained public investment in employment growth, education, training and labour market programs; reform of tax/benefit systems to ensure a seamless web of income support designed for contemporary conditions; a tax/benefit system which is both equitable and effective in supporting the many forms of participation in restructuring labour markets, in education and training, and in the work of informal care; wages and incomes policies which reverse the trend to increased income inequality. Under such policy conditions, globalisation and internationalisation would make their impact on Australia's economy, society and political culture through the regulatory controls of home-grown government policies, designed to increase overall well-being and distribute the benefits of growth in our productive capacities much more equitably. It is not only into social policies that the principle of equity must be embedded, but into economic policies as well. Only then will fear of the

welfare state be quelled, when a contemporary form of full employment is re-invented.

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