

**“Australia’s income security system and the abandonment of equity”,
Address to Community Forum on NewStart, 9 May 2012 by Philip
Mendes**

I would like to make three key points in this talk: Firstly, Australian Governments in recent decades have largely abandoned any commitment to using income security as a means to promote greater equity. Secondly, both Labor and Coalition governments have been thoroughly disingenuous in their public explanations of the causes of unemployment, and potential solutions. Thirdly, I am pessimistic that discrete campaigns to lift the level of the NewStart Allowance to anything like a reasonable level will succeed. Rather, I would argue that the community sector needs to change the debate to advocating for a participation income for all income security recipients, and for a system based on local community control and delivery.

Historical Changes

There was a time when the Labor Party (and even the Coalition) believed in a fairer society. Bill Hayden, the Social Security Minister in the Labor Government from 1972-74, indicated his intention to bring about a “change in the structure of society” that would redistribute wealth and income from rich to poor and “correct the excessive degree of economic inequality in Australia”. Hayden’s appointment inspired the new head of Social Security, Dr Louis Wienholt, to send his desk clerks out into the slums of Melbourne and Sydney to attend two week courses organized by the Brotherhood of St Laurence, the intention being to “sensitize” them to the problems of Departmental clients.

The Social Welfare Commission, which was appointed by the Labor Government, similarly argued that social welfare should be used to promote “improvement in the standard and quality of life for all individuals and to ensure a redistribution of resources within the society”.

Even the Coalition leader Malcolm Fraser believed strongly in a secure welfare safety net. Speaking in 1975, Fraser argued that “the notion that deprivation is a necessary spur to achievement and that initiative is dulled by the provision of welfare is not only wrong, but it has no place in a philosophy that values the individual. On the contrary, the security of knowing that aid is available if needed can increase the incentives for, and reduce the costs of, achievement”.

Four decades later, the Australian commitment to de-commodification, the term famously used by the Swedish theorist Esping-Andersen to refer to social rights guaranteed outside the operations of the labour market, has significantly declined. For example, Centrelink, the government agency that delivers income security, has a core objective to “assist people to become self-sufficient”. Presumably this means that a fair go will only be accessed by inclusion in the paid workforce. Certainly this is the view of the current Labor Government.

According to Prime Minister Gillard: ‘believing in the benefits and dignity of work is a deep Labor conviction...Labor is the party of work, not welfare, the party of responsibility, not **idleness**’.

She adds that “everyone who can work should work...and there are people who can work who do not...there is no excuse for not working...every Australian should pull his or her own weight...It’s not fair for taxpayers to pay for someone who can support themselves”.

To be sure, Gillard acknowledges that some people cannot work due to caring responsibilities, ill-health, and disabilities including learning deficits (2011a). But her general assumption seems to be that most of the unemployed are not working because they choose not to – what she calls long-term welfare dependency which sounds like a type of dysfunctional medical condition or addiction. Elsewhere, she actually states that “change only comes by marrying a requirement for personal effort and responsibility with the customised supports that give people a hand up and out of poverty and **dysfunction**”. She adds contentiously that “the choices made by our people are never limited by the circumstances of birth or where they live or what they do for work” which suggests that structural inequities simply don’t exist (2011b).

Even so, Gillard’s pledge to give everybody an opportunity to enter the workforce might be half reasonable if the government was serious about promoting a full employment agenda. But all the evidence from the last three or more decades around the globe suggests this is not the case. As Grieve Smith argues (1997), the economic orthodoxy since the early 1980s has emphasized the use of monetary and budgetary policies to control inflation and limit public sector growth which automatically precludes any potential for full employment.

The current unemployment figures for Australia list 513,000 people as receiving the NewStart allowance making a rate of 5.2 per cent which is relatively low by international standards – 7th lowest in the OECD. But

this is only those Australians who are not working at least one hour per week. A number of studies including the 2004 Senate Community Affairs References Committee report into Poverty have estimated that many Australians fall into the category of hidden unemployed – that is those who are working part-time or casually but would prefer to work longer hours or full-time. The latest ABS figures suggest that about a quarter of the 3.4 million in part-time work (or another 7.2 per cent of the labour force) are under-employed which is the **highest rate** in the OECD (Whiteford 2012). Hence the real unemployment rate is almost certainly more than double the official rate.

In addition, the government's own figures suggest that nearly half the unemployed are long-term. The Prime Minister states that 230,000 Australians have been unemployed for more than two years, and there are 250,000 families where no adult has worked for at least one year. In the two years from June 2009-June 2011, there was a 60 per cent increase in the number of people unemployed for 2-5 years. The number unemployed for five years remained stable at about 106,000, but the number unemployed for between one and two years rose from 70,000 to 92,000 (Karvelas 2012b). ACOSS estimates that two thirds of current NewStart Allowance recipients have been unemployed for more than a year, and one quarter for over three years.

The government response to unemployment has been to apply both the carrot and the stick. The carrot includes the availability of wage subsidies and incentives to relocate to locations of higher employment opportunity. These carrots appear to assist small numbers of the unemployed to find and retain employment, and are welcome. But they will never in isolation provide a sustainable solution for most of the unemployed, and may not even create additional jobs in the private sector beyond those that would have already existed (Grieve Smith 1997). It is disingenuous for any government to suggest otherwise.

The sticks include many of the mutual obligation measures introduced by the previous Coalition Government such as work for the dole, payment breaches, dole diaries, employment pathway plans, and other punitive measures intended to pressure the unemployed to end their supposed dysfunctional reliance on income security. According to the recent study by John Murphy and his colleagues (2011) based on two rounds of interviews with income security recipients, many are treated as second class citizens. Interviewees frequently described Centrelink as a source of arbitrary power, anxiety, fear, and intimidation and humiliation that

undermined individual agency, and failed to provide a basic level of respect to its clients.

The sticks seem to fall most heavily on the most disadvantaged groups such as Indigenous Australians, and only serve to divert responsibility for these groups from the government to NGO emergency relief and crisis support services. Somebody has to repair the collateral damage.

Causes of Unemployment

The search for solutions to unemployment brings us to the key question of understanding why people are unemployed in the first place. There are arguably three principal causes: structural, individual and locational.

Firstly, structural factors such as social and economic deprivation and inequality are significant influences on the prevalence of poverty and unemployment. Many of the unemployed are heavily constrained by their limited life opportunities (including for many personal deficits such as physical or psychiatric or intellectual or social disability and/or language and literacy issues) compared to others. Some groups - such as young people leaving state out-of-home care who were victims of childhood abuse and neglect, those recovering from mental illness, those who have fled family violence, refugees escaping political or ethnic persecution, and those formerly involved in substance abuse – may have to use income security payments in order to access basic necessities, and rebuild their lives. Some individuals may need a long, long time before they have recovered sufficiently from past traumas and experiences of grief and loss to access training or employment (Wright 2012).

Others face practical barriers to finding employment. ACOSS research suggests that one in seven NewStart recipients have been assessed as having a disability that limits them to part-time work; another one in 15 are sole parents who require affordable child care services, and child-friendly working hours; and half lack Year 12 qualifications. Those who are long-term unemployed may also find their self-esteem and their social skills including their capacity to cope in a workplace environment eroded by their exclusion from the social mainstream.

Secondly, there is no doubt that negative individual behaviour and choices can undermine opportunities for employment. Most of the community sector would acknowledge that some of the unemployed engage in anti-social behaviour – drug or alcohol abuse, criminal activities, gambling, violence towards family members and involvement

in dysfunctional relationships – that does not improve their life chances. Some may simply refuse to seriously seek employment. Neo-liberals would argue that those who are lazy or immoral should be disciplined in order to choose employment over welfare. But the question has to be asked: what is the value if any of forcing those who are recalcitrant into the workforce? Is this coercion really going to constitute a net benefit for society generally or the specific employers or individuals involved?

Thirdly, there is the locational factor in that many postcodes have a shortage of employment opportunities, and equally some postcodes have a surplus of work in highly skilled trades such as information technology or engineering. But the potential option of relocation is anything but a catch-all solution given a range of factors including highly varied housing costs in different regions, the importance of having access to supportive family and friendship networks, and the practical difficulty of matching the skills of the unemployed with available job opportunities.

The complex causes of unemployment and the associated high numbers of long-term unemployed suggests that there is no easy solution to unemployment. On the contrary, it is likely that hundreds of thousands of Australians will never access regular full-time employment. There is arguably no economic or social benefit to be gained from pretending otherwise. We as a society have to decide what levels of income support we are going to provide to these people.

At present, the low level of NewStart allowances – which has dropped since 1997 from 91 to 65 per cent of the single pension rate and since 1996 from 46 to 36 per cent of median household income (Whiteford 2012) - ensures that they are going to be deprived of many of the basic necessities of modern life. It also has potentially adverse implications for social cohesion, and may lead to greater costs in other areas such as health care and criminal justice. The only serious rationale for this distinction between different groups of income security recipients is that the unemployed are viewed as less deserving than other groups such as age pensioners and carers.

Towards a more liberal and localist model of income security

Neo-liberal critics of the welfare state often argue that centralized universal provisions undermine the individual choice and agency of income security recipients. In part they are right as we have already noted in relation to the operations of Centrelink, but the punitive solutions they

offer are likely to make the system even more paternalistic and controlling.

In contrast, we argue for a more liberal model that would mean recognizing the diverse individual experiences and capacities of the unemployed, and accepting that a certain proportion of the working age population would remain outside the paid workforce. All people reliant on income security could then be offered a participation income which incorporated a range of social, cultural, educational, environmental, community and caring activities and expectations ranging from the more conventional such as caring for young children, the disabled, and people who are frail aged or chronically ill, to manning the kiosk or clothes shop at school and/or coordinating the local sports team to the less conventional, for example, participating in local exchange and trading schemes.

For example, most of the income recipients involved in Murphy et al's study (2011) were actively engaged in social or economic participation, or both. Many were involved as volunteers in local neighbourhood activities such as school parents groups, sporting groups, cubs and scouts, meals on wheels, churches, and political groups including the Council for the Single Mother and Her Child. At least one-third (including half of the unemployed) were also employed – mainly in part-time work – and closely linked to workplace social networks.

The argument for a participation income was also given some support by the earlier McClure report on Welfare Reform which emphasised the social participation of consumers. McClure argued that “it is not possible to draw a clear line between those activities that could be classed as economic participation, and those that constitute social participation. Paid work has social value and unpaid work has clear economic value. All activities that build relationships with others have both economic and social dimensions and should be encouraged and supported” (RGWR 2000:4).

In addition, the bureaucratic uniformity of the income security system should be addressed by transferring control to local communities with extensive consumer participation. The focus of services would then be on meeting the aspirations of participants, rather than those of government or providers.

Neo-liberals (e.g. Hannan 2010) have already identified the liberationist potential in localism, but their concern is with promoting the responsibility of the disadvantaged to society, rather than the responsibility of society to the disadvantaged. However, a progressive

strategy for developing local community control called ‘associationalism’ is suggested by the British academic Paul Hirst. Hirst proposes the establishment of voluntary self-governing organisations based on partnerships between service users and providers. These organisations would prioritise the empowerment of citizens through maximising consumer choice and control, and preferably operate in tandem with a guaranteed minimum income scheme. The state would continue to provide most of the funding for welfare services, but civil society would take much greater responsibility for the design and delivery of services (Hirst, 1994; 1997).

Hirst's proposal is appealing in that it offers the potential for welfare consumers to become genuine players in the service delivery and policy development process. It also suggests the possibility of challenging the structure of the existing government-controlled tendering process, and transforming that model into a progressive form of service delivery. That would mean government granting genuine independence to community forces so that they can both develop policies and deliver services based on the stated needs of consumers.

For example, the major ideological deficit of the current Job Network system is that it is bound by rigid contractual arrangements based on mutual obligation. At best, existing tenderers struggle to protect participants from the claws of the associated breaching system. At worst, some tenderers may enthusiastically comply with these sanctions. However, associationalism suggests an entirely different potential outcome: an employment and training scheme run by a local cooperative (potentially involving trade unions and progressive local councils and business people) to meet the aspirations of participants, rather than those of government or providers.

In recommending greater local community participation in and control of service delivery, we are nevertheless mindful that local communities are not united and homogeneous groups. Rather, they are often divided by class, ethnicity, race and other significant social, economic and attitudinal barriers. Policy debates over the last decade in Victoria, for example, suggest that some local communities and community groups are just as likely, for example, to exclude, rather than include, marginalised groups such as welfare recipients, drug users, and street prostitutes. It is also possible that some local communities will be dominated by traditional charity networks concerned with judging and moralising service users, rather than with empowering them.

It is therefore crucial to ensure that local initiatives are based on the community development principles of social inclusion, diversity, empowerment and participation. Social inclusion refers to the notion that processes should always seek to include rather than to exclude; that all members of a community should be valued even if they hold conflicting views; and that we should respect and value others even when we disagree with their ideas, values, and politics. Similarly, diversity emphasizes the celebration of differences within the community. Particular care should be taken to encourage and validate groups traditionally excluded such as gays and lesbians, people with disabilities, and racial or ethnic minorities. Empowerment involves providing people with the skills and resources necessary to increase their capacity to determine their own future, and to effectively participate in the life of their community. Participation refers to the right of community members to directly participate in the identification of social problems, and in determining strategies for their resolution. It is important to ensure that all sections of a community including potentially marginalised groups such as drug users are able to participate (Tesoriero 2010).

Conclusion

The existing welfare state primarily operates on a top-down basis as something done by government and service providers to consumers. However, the current political climate with its rhetorical emphasis on community provision and consumer choice suggests some potential for new progressive versions of welfare. Such progressive welfare reform could take the form of democratic partnerships between community providers and consumer groups at the local level based on consumer rather than provider needs and control.

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