The single most important event that has moulded changes to welfare policy across the developed Western world in the so-called post-industrial nation state is the advent of computer technology and the World Wide Web in what has been dubbed the information age or knowledge-based society. This technology enables policy researchers to search the internet for clues as to what is being done elsewhere and morph together policies with bits from everywhere as they see fit. Australia is no exception, and while historically it evolved a unique welfare system, in contemporary times it increasingly bears the hallmarks of policy development in the US and UK with whom it most identifies. For the most part, however, even in the face of economic globalisation, welfare policy remains the province of nation states, albeit influenced by international conventions and human rights charters. We believe that claims that globalised capitalism has reduced the nation state’s control of its territorial boundaries are overzealous. We agree with Hardy (2007) that global capitalism ‘has not necessitated the downfall of the nation-

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state for the reason that global culture fails to adequately centre the ethnonationalist identity that citizens of a nation-state feel within their local community’. Instead, the nation state has become more open to multilateral transactions and accustomed to engaging with other nations and cultures. Consequently:

[T]he nation-state is still required to provide a locus of stability in ethnic identity and an umbrella of protection from the rest of the world. The notion that globalising capitalism will erode the affinity that individuals hold with their nation and replace it with supranational blocs neglects that civilisational and cultural divergence are as politically and socially inflammatory as always. Weakened and transformed it may be, but the nation-state is here to stay for the immediate future (Hardy, 2007).

Australia is a land of immigrants and a multicultural society with a strong sense of social justice. The notion of a ‘fair go’ for all is deeply imbedded in Australian culture and has always been part of its national identity. Against this backdrop, in most parts of the developed Western world, contemporary welfare policy has arisen because of a perception that past welfare-state systems have failed to deal effectively with the problem of the poor. The dominant idea is that welfare treats the symptoms rather than the causes of poverty. So in post-welfare states, rather than a ‘requiem for welfare’ (Brodkin, 2003), what we are witnessing is an attempt to address the problem of poverty by relating it to joblessness. However, those who work in the welfare sector know that poverty is not related solely to a lack of money – or jobs – and that there are myriad factors that colour the lives of those who need help and care. We recognise that poverty is not related solely to unemployment, but what we aim to do in this chapter is to show that there has
always been a strong relationship between work and welfare in Australia. This has been coupled with an expectation of self-reliance on the part of those able to work, and compassion for those unable to do so. The pivotal issues and critiques in contemporary debates on welfare in Australia revolve around this relationship between work and welfare. To demonstrate this relationship, we begin with a brief overview of the period of colonial settlement, continuing with the erection of the wage-earner’s welfare state before examining the neoliberal welfare reform era of the present times. In so doing, we show that, while social spending on welfare has increased in dollar terms, this does not mean that values are comparable across time mainly because of more recent improvements in data collection and reporting enabled by developments in computer technology (Whiteford, 2006). As we shall see, unemployment benefits, which became the pivotal target for welfare reform, were never a part of welfare in the wage-earner’s welfare state. In this respect Australia has always differed from other OECD countries in that income support for the working sick is provided through industrial awards that fall outside of public spending. In many other countries these are provided through the social security system (Whiteford, 2006). From 1990 onwards OECD data for Australia included state and territory worker’s compensation and from 1995 public service pensions, which amounted to an estimated $6 billion and $9.3 billion in 2001 respectively (Whiteford, 2006). Welfare payments have always been ‘residual’, non-contributory, flat-rate entitlements financed from government revenue and applied only to those who were unable to work. Most importantly, as we shall see from our historical analysis, the patterns of Australia’s welfare system were set soon after federation when the first welfare payments were introduced. They included the Commonwealth Age Pension introduced in 1909, Invalid Pension in 1910 and one-off Maternity Allowance in 1912. According to Schut, Vrooman, and de Beer (2001), Australia is a textbook example of a liberal or residual system.
But in truth, over the years, government has assumed greater control of the welfare system, erecting a huge and costly welfare bureaucracy, which absorbs increased welfare expenditure that includes administration overheads as well as direct benefits to recipients. In the strictest sense, it is the latter which is the province of ‘residual’ welfare, i.e., mechanisms put in place for the social protection of citizens in times of need.

The colonial settlement period

There seems to be some agreement that the development of Australian society was motivated in the settler years by the desire to devise a social system wherein everyone would be able to earn a decent living wage regardless of their social station. This was especially motivated by a desire not to emulate the English welfare system based on the Poor Laws and workhouses. The shortage of skilled labour in Australia at the time meant that not only could high wages (compared with similarly placed workers in England) be commanded but also that a strong labour movement was able to emerge which helped reinforce the payment of a level of wages that would enable a worker to survive occasional bouts of unemployment and sickness. Thus Australia’s welfare system ‘bears the hallmark of settler societies with strong labour movements’ (Murphy, 2006, p. 44.03). This had direct consequences for the evolving role of colonial governments and private associations in assisting those in need. Both showed a preference for a labour-related system wherein wage arbitration and the delivery of high wage outcomes were the principle means of social protection which has been described by Castles (1985) as ‘Australian exceptionalism’ or the ‘wage-earner’s welfare state’ (p. 102). This form of welfare state is characterized by a strong relationship between industrial relations and social welfare policy (Ramia & Wailes, 2006) and a comparatively autonomous, highly fragmented nongovernment sector. The separation of the
deserving and non deserving rested on the logic that those who were fit and able to work did not need benefits, or if there were likely to be a gap between jobs then a fit and able person deserved some sort of social protection. As a result, a culture of charity and mutual aid remained underdeveloped in Australia, with some exceptions, especially Victoria (see Murphy, 2006).

**Federation and beyond: 1901-1980s**

The colonial settlement period ended with federation in 1901 at which time, the Australian Constitution, approved by the House of Commons, established the political structure, i.e., a federal system of government in which the Legislature or parliament makes the law and the Executive or government, including ministers and the public service, administers the law. Independent of government is the High Court which deals with matters relating to the Constitution and the Judiciary or courts that interpret and apply the law.

Federalism shares the political responsibility of governing between federal and state parliaments. Policy is administered through three tiers of government with different levels of responsibility: The national, federal or Commonwealth level of government, state and territory government and municipal or local government. Each tier of government has particular responsibilities which are sometimes shared as follows:

*The federal government* undertakes responsibility for immigration, social security, communications, foreign affairs, trade, and control of income tax, and sets the broad economic policy parameters within which all tiers of government have to operate. It addresses broad-scale policy issues and provides funds through untied grants to the states who administer the various
social programs according to a range of Commonwealth and State and Territory Agreements. For example, the federal government sets the over-arching policy arrangements for housing, education, disability, health, and welfare and then hands over the funds and responsibility to the states and territories to administer public housing, schools, hospitals, and disability, aged care, health and community services (see Table 1). In the event that there is an inconsistency or conflict between federal and state laws, federal law always prevails. The head of federal government is the Prime Minister.

State and territory government: Powers not specified in the Constitution, referred to as residual powers, remain the province of the six states – New South Wales, Victoria, Queensland, South Australia, Western Australia, and Tasmania – and two territories – Northern and Australian capital territories, each of which is headed by a Premier. State and territory governments assume responsibility for transport, roads, health, education, public housing, law enforcement, family and community services, and local government. Each state also has a Constitution.

**Table 1: Levels of government and responsibility for social welfare provision**

<table>
<thead>
<tr>
<th>Federal Welfare Provision</th>
<th>State Welfare Provision (e.g., NSW)</th>
<th>Local Welfare Provision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department of Education, Employment and Workplace Relations</td>
<td>Department of Aboriginal Affairs</td>
<td>Child care regulation</td>
</tr>
<tr>
<td>Department of Families, Housing, Community Services and Indigenous Affairs</td>
<td>Department of Ageing, Disability and Homecare</td>
<td>Environmental, including refuse removal, water supply and upkeep of public facilities, such as libraries, parks, gardens, recreational facilities, and sports grounds</td>
</tr>
<tr>
<td>Department of Health and Ageing</td>
<td>Department of Community Services</td>
<td></td>
</tr>
<tr>
<td>Department of Human Services</td>
<td>Department of Education and Training</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Department of Housing</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Department of Health</td>
<td></td>
</tr>
</tbody>
</table>
Local government: There are over 650 local governments across Australia, headed by Mayors. These are established and funded by state governments and take responsibility for social planning, infrastructure development and maintenance, refuse removal, water supply, upkeep of public facilities, such as libraries, parks, gardens, sports grounds, and recreational facilities, and child care regulation. Historically, they have not played a large part in welfare provision (see Table 1). Occasionally the federal government has allocated special purpose funding to local governments.

This is the structural political context within which government policies come to be debated, created and played out, and within which Australia’s unique system of social provision emerged.

The ‘wage-earners’ welfare state’

As noted above, the ‘wage-earners’ welfare state’ emerged almost with federation at the start of the twentieth century and was dismantled early in the 1980s. For most of that time it formed a distinctive set of institutional arrangements centred on a state-regulated labour market as an alternate system of social protection to the British welfare-state model. The wage-earner’s welfare state was built on four pillars:

… arbitrated minimum employment conditions to protect workers; selective inward migration, perceived as a means to avoid migrants who would accept lower than Australasian-standard wages and working conditions; industry protection as the main economic incentive for employers to maintain labour conditions; and a market-oriented, ‘residual’ state welfare system designed as a last-resort safety-net for those (mainly
males) whose living standards were not otherwise protected (Ramia & Wailes, 2006, p. 50).

To fully understand this unique welfare system one must grasp the interdependence between industrial relations and social policy and the way in which it incorporated the rewards of work and residual forms of social protection within a single policy framework. Industrial relations comprises the processes which establish the ‘rules’ governing the employment relationship which form the basis of standards in workplaces, and across workplaces and industries. These standards include labour rights and employment conditions designed to limit labour market inequalities. These protective functions are intermeshed with social policy measures relating to ‘underpaid, exploited, underemployed, unemployed and poverty-stricken labour … [and] Problems associated with casual, part-time and otherwise non-standard labour [including] the household sphere’ (Ramia & Wailes, 2006, p. 51). Let us briefly examine the four pillars of the wage-earner’s welfare state since they remain central to contemporary debates on welfare and feelings of loss following better times:

Compulsory arbitration: The system of compulsory arbitration was set in place soon after federation by the establishment of the Commonwealth Court of Arbitration in 1907. As well as fixing the minimum or ‘living wage’ – referred to as the Harvest Judgment – the compulsory arbitration system concerned itself centrally with wage fixing making a welfare-state system unnecessary, at least for wage earners or breadwinning males (Castles & Uhr, 2007; Murphy, 2006). Hence social protection depended crucially on the role of the arbitration system in dealing with those in work and who flowed in and out of paid work. It relied centrally on labour market
or industry – or work sector – protections. As Murphy (2006) notes, the union movement had vested interests in maintaining gender distinctions in work and wages and in a system of social protection primarily delivered through men’s work, thus favouring a residual system of income support crucially determined by work tests, in terms of which unemployment benefits were introduced in 1945.

Industry protection: Industry protection rested heavily on the regulation of employment conditions, the unity and relative power bases of employers and employers’ associations and strong trade unions within the broader labour movement (Ramia & Wailes, 2006). The Harvest decision established the idea of a minimum wage and linked it to protection for relevant manufacturing industries.

Selective immigration: Given that Australian nation building rested heavily on successive waves of immigration, the skills of migrants were an important factor in developing the wage-earner’s welfare state. Immigration policies attempted to address skills shortages in the labour market and rested heavily on people’s ability to work and contribute to economic growth and development (Gray & Aglias, 2009).

Residual state welfare: The residual safety net for those unable to work and not expected to work, such as women raising children and disabled people, comprised tax-financed, residual, means-tested income support or social security benefits and a range of state welfare services. The wage-earner’s welfare state was strongly opposed to universal benefits – and a welfare-state
system – believing strongly in a fair wage with residual welfare benefits only available to those with no labour market connections (Castles & Shirley, 1996).

Public and private sector welfare delivery: The mixed economy of welfare

The work-related social protection mechanisms described above, together with residual welfare payments and services provided by the government and community-based voluntary welfare services formed the mixed economy of welfare, the second key element of the wage-earner’s welfare state. This mixed economy had a complex division of function between the public and private sectors, and the boundary between government and nongovernment provision – referred to in industry classifications as the community services sector – has always been fluid and subject to negotiation. Hence it is extremely difficult to get a handle on the ‘structure’ of this mix of state and private sector arrangements (Berman, Murphy, & Brooks, 2006; Murphy, 2006).

A crucial feature of welfare provision – both government and private – was the rise of professional social work, which was heavily influenced by the feminist movement and Leftist welfarist sentiments. Critiques of the wage-earners welfare state as based largely on the male breadwinner supporting a nuclear family drew attention to the interrelationship between welfare, the family and breadwinning, ‘to the welfare role of the family, and to the gender of the providers and recipients of welfare services’ (Murphy, 2006, p. 44.02). For the most part, those receiving welfare and those caring for welfare recipients were women. Feminists, especially, highlighted the value of this unpaid domestic – caring and parenting – work and subsequent policies began to take on the ‘family first’ ethos (Dalton, Draper, Weeks, & Wiseman, 1996; Weeks, 1994; Weeks, 1995).
According to Murphy (2006), the nongovernment community services sector in Australia has been dominated by faith-based organisations and religious charities ‘distinctly concerned with discriminating between the deserving and the undeserving’ (p. 44.3). Already established during the colonial settlement period, voluntary, largely church-based organisations had, in the wage-earner’s welfare state, to deal with those without access to a living wage. Having developed in an unsystematic, uncoordinated, fragmented, and disorganised way, in a welfare culture where state provision through fixed wages was the dominant idea and philanthropy and mutual aid remained undeveloped, then and now the nongovernment welfare sector has proved unequal to the demands of those falling through the cracks of formal welfare provision. Thus the nongovernment sector has to contend with deeply embedded egalitarian values in which everyone must have a ‘fair go’ (see Saunders, 2003 for a discussion of this) while seeking moral upliftment for those who, for some reason or other, have been unable to earn their keep through paid work (Murphy, 2006; Reeves, 2006). Moral judgments as to who was deserving or not thus rested heavily on an individual’s capacity for self-reliance. Able-bodied individuals who shirked their responsibility by engaging in undesirable behaviour were clearly undeserving in this context.

Post-industrialism and the Australian nation state: The 1980s and beyond

The theory of post-industrialism argues that the technological revolution and coming of the information age has led to changes in the relationship between work and welfare, which, as we have argued, has always been a major factor in understanding Australia’s welfare system. As we
shall see, neoliberal ideology is said to lead to deeper inequalities, new ideas about citizenship and accompanying responses to welfare entitlements. Applied to Australia, some would subtitle this section ‘From social laboratory to welfare laggard’ (Murphy, 2006) and this would be true if the focus of analysis were the core pillars of the wage-earner’s welfare state and the interplay between state welfare and protective labour mechanisms in Australia since the early 1980s. However, our focus is on the way in which welfare reform has reconfigured arrangements such that areas of provision which were not part of welfare in the wage-earner’s welfare state, pivotally unemployment and work-related family benefits, which some might see as new sites of vulnerabilities, have become the central core of the discourse on welfare under neoliberalism and a new priority for state welfare provision. Notably, the *Australian Institute of Health and Welfare Act 1987*, which outlines the core areas of welfare provision in Australia in terms of which data is collected and reported, focused on five primary areas of welfare: aged care, child care, disability, housing, and child welfare (*Australian Institute of Health and Welfare* [AIHW], 2007a). It did not mention unemployment benefits nor did it include health and education as part of welfare. It thus reflects the narrow residual view of welfare characteristic of the wage-earner’s welfare state, which from its inception made provision for the elderly, disabled and single mothers. What we want to look at, then, is the way in which this focus has broadened to encompass unemployment and family policy under neoliberal welfare reform.

Changes to Australia’s wage-earner’s welfare state under neoliberal welfare reform

*Changing ideologies*

The beginnings of neoliberal welfare reform arise in several inter-related critiques relating to the huge role government came to play in welfare provision during the twentieth century. While this
played out differently in various international contexts, there were similarities in the arguments which began to steer welfare in the direction it subsequently took in most developed Western countries. These revolved inter alia around the level of government spending on welfare, the culture of dependency created by welfare provision, the role of the private sector, the inefficiencies of the vast government bureaucracy and its failure to adequately address the problem of poverty. The changes which came about were influenced by several interweaving strands of thinking emanating from Third Way reconfigurations of the enterprising state (Considine, 2001), outcomes-based New Public Management, workfare programs, and the conservatism of the New Right. The seeds of these changes were already evident in the marketisation or contracting out of services previously provided by government which began in the late seventies. They flowered into the ‘new’ philosophy, values and rules guiding welfare provision, most significantly cutbacks in welfare, increasing conditionality in welfare benefits and the further entrenchment of unemployment programs as part of welfare. Welfare payments of all stripes came to be seen as ‘unemployment’ payments since all were received by recipients not in work and these recipients were forced to prove that they could not work and, therefore, were rightly entitled to welfare benefits. The essential target of active welfare, however, is those of working age who claim income cash benefits:

Thus it is not limited to people who may claim unemployment insurance but also includes people who are claiming social assistance, disability or lone-parent benefits. This means that we see the generalisation of the work ethic to all segments of the adult population. Yet the enforcement of obligations and use of sanctions tend to be punitive for some
segments of the population, such as the poor, long-term unemployed and/or homeless people (Johansson & Hvinden, in Newman, 2005, p. 107).

What neoliberalism does is push the onus of risk firmly onto the individual removing any concept of state responsibility for the social protection of citizens. For example, individuals are expected to bear the financial risk of providing for their own retirement through retirement planning and superannuation contributions. It reconstitutes citizenship through the language of responsibilities and obligations rather than rights and entitlements. Those of working age who are entitled to benefits have the reciprocal obligation and responsibility to actively seek to become a full participant in the labour market. It emphasises active citizenship in which the citizen becomes a rational consumer or user of public goods, who exercises choice between providers or suppliers of welfare services in a mixed or pluralist welfare economy (Johansson & Hvinden in, Newman, 2005).

While neoliberalism appears to attack welfare, Hartman (2005) argues that its anti-welfare rhetoric masks the importance of welfare to the very existence of the neoliberal regime. What the neoliberal welfare regime does is to create a category of low-paid workers whose incomes are supplemented by minimal benefits which are made contingent on the need to work for a minimal number of hours per week. It creates a casual workforce – with minimal work requirements – which suits employers who can then employ these largely untrained people who are obligated to the state, on low wages and casual work arrangements. Employers seem to be doing the right thing by supporting this work-based welfare system while benefiting from the flexible – unregulated – arrangements which the government has created. In this way, welfare maintains
peripheral, low-wage workers in a flexible labour market that supports employers’ profit margins (Hartman, 2005, p. 67). Those most affected by these new work-based welfare arrangements are women caring for children on parenting payments and disabled people in receipt of the disability support pension, which, as we shall see below, prior to the advent of work-based welfare, were not classified as unemployed.

Most significantly in relation to Australia, neoliberalism strikes at the very heart of the residual welfare system set in place by the wage-earner’s welfare state and its integrated social protection mechanisms. But the changes were supported by the ‘Australian union movement … which … helped to facilitate bargaining decentralisation from the Federal and industry levels to the enterprise level’ (Ramia & Wailes, 2006, p. 61). The Workplace Regulations Act of 1997 built social protection into ‘neo-corporatist industrial relations arrangements’ (Ramia & Wailes, 2006, p. 58).

Changes to industrial relations policy - or workplace reform (Castles & Uhr, 2007) - has been the most unpopular area of change in the intensification of the neoliberal welfare agenda, especially under the Liberal-Coalition Howard government from 1996-2007. In 2005 the Howard Coalition government introduced the Work Choices program which sought, among other things, to maintain a minimum safety net, such as annual, sick and unpaid parenting leave, while introducing a national industrial relations system responsive to ‘changes in the structure of work, [and] increasing levels of unemployment’ (Cox, 2006, p. 119). It sought, among other things, to: (i) introduce Individual Workplace Agreements to replace the collective enterprise bargaining system; (ii) relieve small companies with less than 100 employees of restrictive policies, such as
unfair dismissal laws (which the government believed discouraged employers from taking on new workers) and the minimum award wage (which the government and others claimed hindered job generation); and (iii) limit trade union power. Unlike, New Zealand and other Western nations, however, the Howard Coalition government followed a pragmatic, poll-driven approach in which the introduction of these legislative changes did not reach full force until the government ‘won control of both houses of the Commonwealth parliament’ (Cox, 2006, p. 112).

On the welfare reform front, ‘active’ welfare recommendations coming through the OECD guidelines suggested a restructuring of services and greater conditionality of benefits to accompany the workplace reforms discussed above, ostensibly in the interests of greater economic efficiency (Castles & Uhr, 2007). They required that citizens played a more active role ‘in handling risks and promoting their own welfare’ (Johansson & Hvinden, in Newman, 2005, p. 101). However, these ‘activation reforms tend to rest on a fairly narrow understanding of relevant and socially useful activity as they mainly recognise paid work and participation in the mainstream labour market’ (Johansson & Hvinden, in Newman, 2005, p. 108). For many within the welfare sector, reform amounted to a program of retrenchment or rolling back of welfare as governments everywhere sought to find ways to avoid blame for social ‘expenditure cutbacks made necessary by changing economic conditions and, in particular by pressures emanating from the global economy … to control expenditure growth … recalibrate the relationship between federal and state governments, [and] … rationalise the process of intergovernmental relations’ (Castles & Uhr, 2007, p. 111). As part of the rationalisation process, the Australian government commissioned a Welfare Reform Reference Group in 1999 to review the Australian welfare system. The outcome was the McClure Report (Welfare Reform Reference Group, 2000) which
devised a ‘framework of reciprocity’ or mutual obligation ‘matching responsibilities and duties with social rights and benefits’ (Braithwaite, Gatens, & Mitchell, 2002), the best example of which is the Job Network, discussed below.

Increased marketisation of services

An offshoot of criticisms of big government and excessive public spending was the marketisation of welfare programs, which made services tradeable commodities delivered in quasi-markets (Considine, 2001). Through privatisation, the government sought to dismantle the vast welfare bureaucracy it had created through contracting out services it had previously delivered and transferring them to the private – nongovernment – welfare sector via a tendering process. In other words, the government entered into contracts with nongovernment agencies to deliver services on its behalf. This marketisation of services was accompanied by appeals for nongovernment welfare managers to run the sector more like a business following the influence of outcomes-based New Public Management (Hood, 1995), where continued funding is contingent on the proven delivery of concrete outcomes (Western et al., 2007). Cox (2006) refers to Australia’s approach as a ‘gradualist corporatist inspired model’ (p. 112) in which the State and Territory governments are responsible for state-based social services, which they increasingly purchased from nongovernment organisations. This gave the nongovernment services a new and important role in service delivery which would change its ethos from one of charity, social justice and compassionate care, to one of business-like efficiency. Many faith-based organisations who joined the Job Network in its early days later withdrew for this very reason.
Emergence of the Job Network

Two concerns motivated the emergence of the Job Network: The increasing number of people on welfare payments - over 2.5m people, an increase from 10% of workforce-aged beneficiaries in 1978 to 18% in 1998 (Newman, 1999) and the problem of long-term unemployed, i.e., those out of work for a year or more, which applied to over 21% of unemployed people in 2003 (Saunders, 2003). The Job Network replaced the Commonwealth Employment Services in 1998. It comprises about 360 contracted commercial – for profit – and not-for-profit community welfare organisations, including big charities like the Salvation Army and Mission Australia, which provide federally funded employment services. The emergence of work-based welfare is the single most important event that signalled changes in thinking relating to work and welfare in contemporary neoliberal society. Most significantly, the critiques of welfare outlined above had led to a reconstructed discourse on welfare dependency as a kind of addiction signalled in the notion of ‘passive welfare’. To right this wrong what was needed was ‘active welfare’ and a policy in which there were reciprocal rights and responsibilities. These became enshrined in the notion of ‘mutual obligation’, which introduced the requirement that some categories of unemployed people were required to work for a certain number of mandated hours in order to receive benefits – the jobseeker’s allowance. This was already a part of the US workfare phenomenon, and work-for-the-dole programs, which tied welfare to work or work-like activities. Australia followed with the introduction of the Job Network as a series of measures to deal with the problem of long-term unemployment, which would assist those who demonstrated attempts at self-reliance, i.e., who tried to ‘help themselves’, such as ‘the working poor, the casualised workforce, and those whose family responsibilities pose[d] especially difficult challenges for their work lives’ (Ramia & Wailes, 2006, p. 60) (see also Cass & Smyth, 1998;
Most importantly, what the Job Network did was to create a category of unemployed people from groups where there was previously no expectation that they needed to work and were, therefore, not seen as unemployed, such as mothers at home looking after children and disabled people. Thus unemployment statistics in 1999 reported that the number of people on unemployment benefits exceeded the number unemployed in labour force surveys by 19% (Whiteford, 2006). In other words, by forcing people ‘to seek gainful employment as a pre-condition of benefit’ (Castles & Uhr, 2007, p. 116), the Job Network created and enlarged the number of people classified as unemployed. At the same time it made labour market activity a marker of good social citizenship and the principle pathway out of poverty or social exclusion (Marston & McDonald, 2003).

Job Network members were assessed on their degree of employability, and allocated basic service or intensive case management on this basis (McDonald & Chenoweth, 2006). There was also the belief that many people, labelled dole-bludgers, did not want to work so incentives had to be provided, including punitive, disciplinary mechanisms if this were necessary, to get people off welfare into work, if they were able. Many argued that the Poor Laws had once again reared their ugly head with the division or separation made between the deserving in need of social care and the non deserving in need of discipline out of a sometimes generational culture of welfare dependency (see Marston & McDonald, 2003; McDonald & Marston, 2005; McDonald,
Marston, & Buckley, 2003; Productivity Commission, 2002 for an examination of the social relations embodied in the Job Network process).

**Continued growth in welfare spending**

Australia has a positive international reputation in terms of quality of life indicators, ranking third on the United Nations Human Development Index, which provides a composite measure of life expectancy, educational attainment and standard of living (United Nations Development Program, 2008). Further, Australian wages are among the highest of the OECD countries and work remains the most effective means of social protection in Australia (OECD, 2008a; Whiteford, 2006). While the Australian government currently spends less on cash benefits than most OECD countries, it targets this spending on the poorest 20% of the population (OECD, 2008a). The average OECD social expenditure, which includes cash, in-kind service provision, and tax breaks with a social purpose, as a percentage of GDP was 21% in 2003, as compared with Australian spending of 18% (OECD, 2008b). While relative income poverty has risen slightly in the last 10 years, income inequality in Australia is less than in many OECD countries due to publicly provided services, and a lower tax burden on low incomes (OECD, 2008a).

Despite neoliberal welfare reform, welfare spending in Australia has continued to grow (AIHW, 2007b; Castles, 2001; Castles & Uhr, 2007; Mendes, 2008; Saunders, 2003; Saunders, 2007b). The OECD Social Expenditure database shows that public social expenditure rose from 14% in 1990 to 18% of GDP in 2003 (OECD, 2008b). If we examine the Commonwealth budget, social security and welfare spending has increased more than any other area of expenditure, from around 20% in 1972-1973 to around 41% in 2007-2008 (Laurie & McDonald, 2008).
If we are to provide a more comprehensive picture of welfare expenditure, including government and nongovernment sectors, we must turn to Australian Institute of Health and Welfare (2007b) data from 2005-2006. This data, which excludes unemployment benefits, but includes benefits and allowances to families, people with a disability and the ageing, records total welfare expenditure of $90 billion (or 9% of GDP) in 2005-2006. This figure would be larger if tax expenditure in the form of concessions and rebates were included (AIHW, 2007a). Cash benefits, which were solely provided by governments, accounted for 68% and welfare services accounted for 32% of this expenditure. Total expenditure on services and benefits for older people was $34 billion, families and children $27 billion and people with disabilities $17 billion. The total spent on welfare services by government and nongovernment was $29 billion spent on welfare services. The net value of services delivered by nongovernment organisations was $20 billion or 10% of the total investment in welfare services (AIHW, 2007b) (see Table 2 and 3).

Table 2: Funding for welfare services 2005-2006 (Totalling $28.8 billion)

<table>
<thead>
<tr>
<th></th>
<th>Federal Government</th>
<th>State and Territory Governments</th>
<th>Individuals (through fee for service)</th>
<th>Nongovernment organisations</th>
<th>Local Government</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>40%</td>
<td>29%</td>
<td>20%</td>
<td>9%</td>
<td>2%</td>
</tr>
<tr>
<td></td>
<td>$11.4 billion</td>
<td>$8.4 billion</td>
<td>$5.8 billion</td>
<td>$2.6 billion</td>
<td>$0.6 billion</td>
</tr>
</tbody>
</table>

Source: AIHW (2007b)
**Table 3: Government spending on welfare (2005-2006)**

<table>
<thead>
<tr>
<th></th>
<th>Older people</th>
<th>Families and children</th>
<th>Disability</th>
<th>Other welfare</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benefits</td>
<td>$25.2 b</td>
<td>$22.0 b</td>
<td>$12.1 b</td>
<td>$2.1 b</td>
</tr>
<tr>
<td>Services</td>
<td>$ 9.0 b</td>
<td>$ 4.6 b</td>
<td>$ 4.7 b</td>
<td>$1.2 b</td>
</tr>
<tr>
<td>Total expenditure</td>
<td>$34.2 b</td>
<td>$26.6 b</td>
<td>$16.8 b</td>
<td>$3.2 b</td>
</tr>
</tbody>
</table>

Note: In 2005-2006 $80.8 billion of the total welfare expenditure ($90.2 billion) could be allocated by category.

Source: AIHW (2007b)

In the mid-1960s only 11% of working-age adults received welfare benefits. By 2003 the proportion had grown to 27% with almost 14% totally dependent on welfare compared to 3% in the mid sixties, i.e., 1:33 to 1:7 of working-age people on welfare during a period where living standards had doubled (Saunders, 2003). Of all the OECD countries, Australia has the highest level of households where no-one is working when data shows that, in Australia, work is the most effective shield against poverty (Whiteford, 2006). Those concerned about the sustainability of these levels of unemployment and welfare spending point out that there were five workers for every working-age adult on welfare in 2003 as compared to 22 in the mid-sixties (Saunders, 2003). This is especially worrying if one considers that spending on cash transfers rose from 3% of GDP in the 1960s to 8% in 2000 (Whiteford & Angenent, 2002) and 18% by 2007 (Castles & Uhr, 2007).

More than one in five Australians currently receives some form of income support or welfare payment (ABS, 2008). The main areas of income support, apart from unemployment benefits, are the aged pension, family payments, followed by disability support and parenting payments. While changes to categories and data sets make comparisons difficult, social security payments to the aged, those with a disability and families with dependent children have risen and
unemployment payments have declined slightly since the 1999-2000 budget (AIHW, 2007a; Laurie & McDonald, 2008). The impact of welfare-to-work policies may have recently reduced the percentages of people receiving parenting payments and disability support pensions, as some recipients who would previously have received these, have been transferred to, or commenced income support payments, such as the Newstart or Youth Allowance.

**Aged Pensions:** Aged (and invalid) pensions were the first form of income support to be legislated after federation. With Australia’s ageing population around two-thirds of current retirees rely on a government benefit or pension as their main source of income (AIHW, 2007a). Aged pensions are means tested but they are not linked to previous contributions or earnings. The aged pension constitutes the largest portion of the welfare budget at $22.6 billion in 2006-2007 (Australian Bureau of Statistics [ABS], 2008). These payments continue to have a high degree of public support, and public debate often includes calls for increases in the level of the pension. However, the proportion of older people relying on the Aged Pension is expected to decline in coming years, as government policy, which introduced compulsory superannuation and incentives to remain at work for longer periods of time, starts to take effect (AIHW, 2007a).

**Family Payments:** These constitute the second largest item in welfare spending. Until 1975 family assistance was provided through the tax system but thereafter was paid mainly through regular cash benefits (Whiteford, 2006). Family payments rose significantly during the Howard era (Mendes, 2008), costing the government $17.2 billion in 2006-2007 (ABS, 2008). Payments are directed at low and middle income earners to assist with the costs of raising children. They include the Family Tax Benefit (Part A and B), maternity payments – currently $5,000 for the
birth of each child - and childcare benefits, including a tax rebate to subsidise childcare for working families. Like aged pensions, these generally enjoy public support, with the exception of the maternity payment (previously called the Baby Bonus). There was some public debate about this payment when it was first introduced, with some suggesting it encouraged young people to have babies for income. Mendes (2008) argues that family payments have been an effective means of redistributing income to poor families and to maintain the real income of the poor even though inequality has increased.

*Parenting Payments:* Perhaps the least popular of welfare measures, parenting payments were introduced in 1973 as the Supporting Mother’s Pension when older women and mothers were not expected to work, or raise children alone. However, today more than two thirds of women between the ages of 15-64 are economically active (ABS, 2008). Nevertheless, the situation is somewhat different for single or sole parents who become primary care providers during their prime earning years. Australia is among the most generous of the OECD countries in its support for lone parents (Whiteford, 2006). Parenting Payments are directed at working-age adults - single or partnered, male or female - who have a very low income and primary responsibility for the care of a child under the age of eight years. Those on single parenting payments totalled 395,495 in 2006-2007. Of these 369,818 or 93% were women (ABS, 2008). While most recipients move off payments and return to work voluntarily, some spend 12 years on benefits, moving from one benefit to another (Saunders, 2003).

*Disability Support Pensions:* Currently 3.9% of Australia’s population have a profound disability (ABS, 2008). The government provides a Disability Support Pension to work-aged people, who
have a physical, intellectual or psychiatric condition that prevents them from working 15 hours per week. The number of people receiving DSPs increased from 230,000 in 1980, which represents 2% of the population (Saunders, 2003), to 714,000 in 2006-2007, which represents about 3.5% of the population (ABS, 2008). The government allocated $8.6 billion to the Disability Support Pension in 2006-2007 (ABS, 2008). Saunders (2007a) suggests that there has been a lack of research into the real costs of disability, let alone adequate accommodation through income support.

Changes to benefit arrangements

Changes to benefit arrangements, especially impositions of time limits, were designed essentially to restrict welfare to those who really ‘deserved’ it and to encourage those who could do so to return to work for a minimum of 15 hours per week. This is the area of greatest change which has evoked the most ire from welfare activists, especially attempts to extend ‘mutual obligation’ or welfare-to-work to lone parents, mainly single mothers, and people with disabilities. Equally unpopular was the introduction of punitive penalties for non compliance. Research shows that these populations are most likely to require additional assistance from welfare services, which are not adequately funded to meet the increase in need (Australian Council of Social Services [ACOSS], 2008). For example, those on parenting payments are required to look for work while new applicants are transferred to the lower Newstart Allowance of fortnightly payments of about $50 when their youngest child turns six, at which time assessments are made of their ability to meet the requirement of 15 hours work per week. In sum, in the reformed system: ‘Benefits are still available, and in some instances are more generous than in the past, but only where other resources are demonstrably exhausted, and where the good faith of recipients is demonstrated by
compliance with stringent activity tests’ (Castles & Uhr, 2007, p. 117). The new system has several weaknesses: First, it relies on after-school childcare places, which are limited. Secondly, the new rules do not consider education and training as an alternative to work, so many recipients must choose between study or employment (Gray & Collins, 2007). Thirdly, it intrudes on the family sphere, and encourages women to accept unsuitable forms of employment to meet income support requirements (Gray & Collins, 2007).

The most drastic change to benefit arrangements was the introduction of the punitive practice of ‘breaching’, i.e., taking welfare payments away from those who did not meet the minimal work requirements. Frederick and Goddard (2008) cite a growing body of evidence that breaching has created a huge increase in demand for emergency assistance from nongovernment ‘charities’. Introduced in 1997, there were 120,000 breaches in the first year. This increased by 187% over a three-year period to 346,000 in 2001, falling to 112,000 by 2005 (ACOSS, 2001; Commonwealth Ombudsman, 2002). Research also highlighted inconsistencies in the decision making and application of breaching between and within Job Network agencies (Bigby & Files, 2003). Pressure from welfare activists, including charities handling the fallout, as to the unfairness of breaching, led to internal reviews of this practice (Bigby & Files, 2003). The McClure Report (2000), while reiterating the importance of mutual obligation, suggested that penalty decisions were necessary in some instances, but could be reduced if beneficiaries received individualised treatment, accurate assessments and clear guidelines. But concerns remain, not least relating to groups who are disproportionately affected by breaching, such as rural and remote Indigenous populations (Siewert, 2008), who are ‘nearly fourteen times more likely to use community services than their representation in the general community would
suggest’ (ACOSS, 2008, p. 3) and those with mental health problems who are no longer able to access the disability support pension. Additionally, the Greens political party suggests that ‘no payment’ breaches doubled from the 2006-2007 period to 2008, when 31,789 breaches were recorded, leaving many, including those with dependent children, without payment for eight weeks (Siewert, 2008).

Conclusion

Clearly, then, ‘work-based’ welfare, which emerged through the Job Network and its incremental tightening of benefits, alongside workplace reform is yet another extension of the relationship between welfare and work which has long characterised the Australian welfare system. The first choice was and remains integrated social protection through frontline taxation and work-based contributions, such as superannuation. But this does not help where people are not in work, i.e., about 6% of Australia’s population. The most contentious debates in Australian welfare have arisen around the Job Network and more restrictive measures related to welfare-to-work schemes, especially their extension to sole parents and people with disabilities, i.e., those not in a position to seek gainful employment. Some claim that schemes like the Job Network are not primarily aimed at reducing unemployment but rather at maintaining governmentality and engendering ‘particular ethical predispositions, attributes and capacities in [participants]’ (Considine, 2001; Walters, in McDonald et al., 2003). A major issue surrounds the capacity of the nongovernment sector to meet needs for emergency relief brought about especially by breaching policies. A recent survey of the welfare sector showed an increase in eligible people turned away from services, about 4% of clients or 80,000 people, due to the rationing of services (ACOSS, 2008). Also problematic has been the ability of Job Network providers to make a profit.
out of job placement services by prioritising the most job ready or responsive clients, called ‘creaming’ (Productivity Commission, 2002). This means putting the long-term unemployed, and those with complex issues or intensive needs, in the too-hard basket, called ‘parking’ (Productivity Commission, 2002). However, recent reports suggest that government responses to performance-linked payments, ‘parking’ and ‘creaming’ have resulted in increased monitoring and compliance demands being placed on Job Network providers, reducing their ability to provide flexible services and tailored support (Thomas, 2007). Still a persistent problem is those hard to place due to mental illness, particularly homeless people, for whom the Job Network has not been beneficial. Welfare agencies are citing an increase in the complexity of presenting client issues as a growing concern (ACOSS, 2008). The Rudd Labor government has recognized this and is currently introducing measures to contract nongovernment agencies to provide services targeted at hard to reach clients.

It is likely, however, that, following developments in the UK and USA (Gray, Plath, & Webb, 2009) there will be an increasing trend towards evidence-based policy in Australia (Kinnear, Grant, & Oliver, 2003), i.e., to basing policy decisions on empirical research. Evidence is accumulating internationally on the effectiveness of welfare-to-work reform programs for certain categories of unemployed people (Bloom, Andersen, Wavelet, Gardiner, & Fishman, 2002; Bloom, Scrivener et al., 2002; Bloom, Fink, Lui-Gurr, Bancroft, & Tattrie, 1997; Farrell, Rich, Turner, Seith, & Bloom, 2008; Hamilton, 2002). This is likely to lead to a hardening of ‘work first’ or ‘work-based’ initiatives, which will affect the bottom 20% of income earners that absorb 21% of welfare expenditure (Saunders, 2007b). Still of concern, then, inequality is increasing with poverty intensifying for at least 10%, possibly 20% of Australians. However, Australia
directs more of its spending to the poor than any other OECD country achieving some redistributory effect through its targeted welfare system (OECD, 2008a). The richest 20% of the population receives only 3% of all transfer spending, while the middle 60% of households receive 56%, and just over 40% goes to the bottom 20%:

Even though Australia spends less than the OECD average on social security benefits, the formula for distributing benefits is so progressive – and the level of taxes paid by the poor is so low – that Australia appears to redistribute more to the poorest 20% of the population than any other OECD country (Whiteford, 2006, p. 29).

While Australia is the most generous OECD country when it comes to benefits for the poor, this is still not good enough for those who value Australia’s ‘fair go’ culture where everyone should be able to earn a decent living wage and enjoy a healthy quality of life. In this context:

Adequacy of benefits can only be defined by reference to the living standards that Australian benefits afford in Australia, and political and social judgments about what is an acceptable living standard for Australians. The fact that benefits for the Australian poor are higher than benefits for the Italian poor does not help anyone in Australia pay the rent or any other 28 bills. But it does mean that it isn’t valid to argue for increasing benefits in Australia because Australia spends less on welfare than Italy and many other countries (Whiteford, 2006, p. 27).
The fact is, the poor remain poor because of their low share of private income and the failure of income support to bring them up to a decent living wage. Problems are intensifying for those on low incomes and the unemployed who are increasingly being turned away from services unable to help them. More progressive welfare reforms with concrete programs for those in need of social care or caring for others are required. From whence will help come? Who is responsible for those pushed to the margins of Australian society? Whether this is the government’s responsibility or whether the private sector is better placed to provide needed services seems to us to be the central question facing welfare policy analysts at this juncture.

References


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