



Archived at the Flinders Academic Commons:

<http://dspace.flinders.edu.au/dspace/>

Speech by Adam Graycar:

"Welfare and the State: issues for the 1990s"

presented at the Social Policy Institute of New
South Wales, Sydney, 21st March 1989

© Government of South Australia

This speech is made available under the CC-BY-NC-
ND 4.0 license:

<http://creativecommons.org/licenses/by-nc-nd/4.0/>

SOCIAL POLICY INSTITUTE OF N.S.W.

SYDNEY

21 March 1989

WELFARE AND THE STATE : ISSUES FOR THE 1990s

ADAM GRAYCAR

**COMMISSIONER FOR THE AGEING
PO Box 70 Rundle Mall
Adelaide SA 5000**

As we build a collage of our welfare system we see programs and services in Australia splattered across an expansive canvas, and daubed raggedly are policies and regulations, constraints and limitations, aspirations and hopes. There are numerous frescoes of the players, some sketched in outline, some drawn in substance, and some painted firmly and ferociously. Welfare policies involve activity by all three levels of government, non-government welfare organisations, private entrepreneurs and professionals - some of whom are more compassionate, alert and astute than others. It would be confusing and extremely time consuming of me to list the various roles of the numerous Federal, State and Local government involvements, but any realistic portrait would have more lines than a complex circuit diagram, though might be a little less confusing than a Jackson Pollock masterpiece.

As we look to the last decade of this century, after almost a century of formal welfare state activity, ~~increasing in depth and breadth, with a coverage more like a cheap paint - thick in parts, thin in others, splotches and blobs all over the place,~~ we can't get away from the one fundamental part of our analysis, and that is how people live and how they ought to live are the central concerns of planners and practitioners in the welfare industry. There are numerous systems of interpreting how people live. There are many criteria for measuring how people live. There are countless values, attitudes and prejudices which carry over into the realm of how people ought to live.

In the simplest of terms, all members of a society aspire to an adequate standard of living, an adequate set of community infrastructure supports and adequate human interaction. One can use almost any terminology for these three features, - cash, services, family and/or friends; though for convenience let us call them tangible resources, effective support services, and close companionship.

Tangible resources, effective services and close companionship can be provided in a variety of ways by a variety of operators - the state, community service agencies, commercial enterprises, families and friends and acquaintances. In very crude terms we can identify four service sectors which deliver these the public sector, the community sector (often called the 'voluntary' sector), the commercial market sector and the informal sector.

The delivery of tangible resources involves a study of government economic and administrative processes. Most people receive an income from the labour market or from returns on capital. People who do not have these forms of income invariably have lower incomes derived from government cash transfers or family transfers. Most income comes from the labour market, but government policy in social security, taxation, and incentives for the superannuation system profoundly affects standards of living. Income, however derived and however defined, is the currency of living standards. The market clearly does not ensure an adequate income for all people. Only government has the capacity to meet the non-labour

Slide
1

Slide
more

market income maintenance requirements in industrial societies. In Australia, a country of 16 million people 2,706,074 or 22.5 per cent of persons 16 years or over had, in 1986, transfer payments as their main source of income. Social security and welfare in 1986 accounted for 8.0 percent of the Gross Domestic Product (GDP) and for 27.4 percent of the budget outlays of the Federal Government. For every 100 employed persons in 1986 there were 38.8³⁹ who received social security income maintenance. In 1966 the figures were quite different; 10.8 percent of the population 16 years or over relied on transfer payments, and social security and welfare accounted for 4.4 per cent of GDP and 17.8 per cent of Federal Government budget outlays. For every 100 employed persons there were then 17.9¹⁸ social security recipients, fewer than half today's number.

These changes have taken place in two decades in which the welfare state had at first experienced unprecedented growth and then came under considerable scrutiny as attempts were made to limit expenditures, or at least limit the rate of growth of expenditures. The attempts to limit public sector outlays began in the mid 1970s and have continued since then, with varied results. Generally, welfare expenditure growth comes in response to three types of conditions: demographic change, changes in economic circumstances, and policy change. The

Slide 2

~~The first, demographic change, has come from declining birth rates and population ageing. This has not been a significant component in the past two decades, for Australia, unlike most European countries, has a relatively small proportion of elderly~~

You don't need me to elaborate on these 3 other than to say that policy change has been the most

people (10.9 per cent of the population are aged 65 or more, though the proportion will increase to about 16% in 30 years time. Even then it will be less than in many European countries today). An important demographic component is that changes in family structure and marriage dissolution rates have led to considerably more single parent families.

The second of the conditions, changes in economic circumstances, has been notable, as the effects of the recession of the late 1970s and early 1980s and the structural changes in the labour market played havoc with employment, while our international terms of trade, dollar levels and interest rates have had an impact for the last two years.

The most significant condition relevant to Australia's expenditure growth has been policy change. Over the two decades there have been changes in eligibility for benefits and changes in approaches to means testing. ^{Policy changes} These of course have resulted from political pressures and, as in any system of pluralistic interests, claims are made on behalf of parts of the system, and rarely with a view to the integration, of the system as a whole. The result has been what some analysts have called an 'overload of demand' that is, increasing and often conflicting claims on the state, which government cannot meet. There is no reason to suspect that this 'overload of demand' from the claim making process will diminish.

Slide
3
Government is not going to be able to meet all of the demands from the community or even deal with all of the legitimate claims placed on it. But government will have a central role, and for government to operate authoritatively, it must have extractive, regulative and distributive capabilities, as well as be responsive to community interests. ~~It must be able to extract the best skills its citizens can offer, and also be able to extract taxation on an equitable and efficient basis. It must also be able to regulate in areas that affect quality of life and levels of living and it must be able to distribute and redistribute life chances. Some people say these things are too much for government in the sort of society we live in.~~

✓
~~Governments in most States and at the national level are heavily into deregulation.~~ In fact these three capacities - extractive, regulative, and distributive provide no more than a framework for a very tense and awkward social scenario for the rest of this century.

back to
slide
one
Effective services in the welfare state do not come from government alone. In fact the market and the voluntary sector provide most formal services. The many tens of thousands of non-government welfare organisations (NGWOs) are central components of all welfare states. NGWOs perform a wide range of functions. Some provide services to individuals, some provide their wares as a supplement to state welfare, others see themselves as an alternative to the state, some try to fit in between, and act as a pressure group in an attempt to have the state provide resources for something more or better or

Bill Binstaff

6

different. // NGOs are under pressure because their tasks are continually being redefined, because their financial resources base is quite insecure, and because their membership structure can never be taken for granted. NGOs are, however, important to government as a key vehicle for implementation of public policy; as an information network; as a means of mediation of social issues into 'proper channels'; and as a cheaper and more flexible avenue than alternatives - government itself or the market. // There are disharmonies and inconsistencies in the relationship between government and NGOs.

Close companionship is basically the purview of families, and due to demographic and labour force changes, as well as changing socio-cultural expectations and relationships, the family is under a great deal of pressure. Politicians who stress the virtues of family care are either unaware of the costs to families of providing the care or are cynically expecting a major shift in social provision and social resources, with the result that those least able to provide adequately will find greater burdens thrust upon them. The abilities of families to care for their members depend not only on material resources but also on human resources.

In most industrial societies we are faced with an explosion of the need for care, and we can see the traditional care-providing organisations all facing different sorts of pressures. What is very obvious is that no one sector alone can provide all that has to be provided - certainly not government, certainly not

voluntary agencies, certainly not families. Different needs are met by different support systems, or the same needs are met by different systems for different groups of people. *cf. income -*

*govt
priv.
NGOs
family*

Each of these three - governments, NGOs and families - are under great pressure, and one operationally heuristic tool might be to examine issues of capacity and willingness of the various major actors and delivery systems. It could be hypothesised that there is an inverse relationship between capacity and willingness. If we think of governments, NGOs, and families as in some sort of capacity hierarchy, we can argue that willingness is inversely related to capacity, and that as one moves down the hierarchy the operator in question is less and less able to deflect or reject the claims made. Government with its eligibility requirements can quite dispassionately send claims which it cannot meet onto NGOs and families. NGOs likewise can draw lines and pass the excess onto families. Families are the providers both of first and last resort - as extensive research shows, a repository of willingness, but often lacking in capacity.

Issues of capacity and willingness can be addressed by bringing in different components to the equations. Government's capacity is determined by its willingness, and in Australia the key lies in an equitable taxation system. Issues of capacity are closely tied to tax reform and to integrative aspects of the tax and welfare systems, especially in areas of family support. It can be argued that the tax system has the capacity, but not the willingness.

Families have the willingness but not the capacity to provide the care and support that is required, and although the bulk of care provided does come through the family, policy makers must ensure that boundaries of capacity are carefully understood and that unrealistic expectations do not become the norm.

Social services are an important component of the welfare system, and the NGWOs play a significant role in their delivery. While social services can never be seen as a substitute for cash or for social investment, NGWOs, by providing these services, are an important key to the welfare puzzle. For the reasons outlined above, NGWOs are facing an identity and accountability crisis, something which can be resolved by social policy.

The most difficult task for social policy - and one which has never been fully achieved - is to redress inequalities of a market economy. While social policy in the 1960s and part of the 1970s was concerned with seeking initiatives to redress inequalities, and while it was successful in the diversion of considerable sums into welfare coffers, the magnitude of the task was so great that successes were not always clear and apparent. Then, before the welfare task was firmly and legitimately entrenched, a neo-conservative counter attack was successfully launched. By the 1980s social policy, which had been on the offensive in earlier decades, was clearly on the defensive - responding to changing fortunes rather than trying to shape social futures, working out how best to pick up pieces, rather than developing comprehensive preventive mechanisms.

If social policy is to succeed in the 1990s as a relevant, credible and humane activity, it must provide a theoretical and empirical basis for social intervention, and interventionist activities must be geared to three things: the creation of a social and economic environment which is conducive to redistribution and which provides substantial investment in human capital, and public goods and services; an equitable income support system; a set of personal social services available to all who need them.

In Australia we live in a modern, affluent, industrial society in which most people enjoy a standard of living that is envied the world over. We nevertheless have 22 per cent of the population dependent on government income maintenance payments for their income. There could be no clearer evidence that our affluent society is unable to deliver, through the market, a living wage to all. As a result of this economic failure it does nobody any good to turn around and blame those victims, blame those people who miss out - people who find they cannot get an income in the labour market; people whose education does not buy them a place in the job market; people whose skills have been undermined by technological change; people whose occupations have been rendered obsolete by structural adjustment; women whose productive value is disregarded and who are confined to a state of dependency; ^{and on & on} ~~people who have~~ difficulty in achieving satisfaction in housing, services, or income; young people who believe they have no worthwhile place in a competitive industrial society; and family heads who

receive insufficient infrastructure support to maintain their families. In addition there are many adults, who through loss of a spouse find themselves in dramatically changed circumstances.

So then, what do we do about it? Understanding carefully issues of capacity and willingness, because that is the key to the analysis, we can develop a framework for the analysis of the scientific and political response.

The twentieth century has brought a rapid succession of trend shifts which make it difficult to identify the solid foundations on which public support for social welfare programs can be maintained. The economic condition of most citizens has improved in absolute and relative terms; social programs have slowly become more extensive, universal and costly. though as I argued in 1983 we have been seeing a retreat from the welfare state.

In times of retreat, or as some might say, reorientation, it is easy to call for a new articulation of public or governmental responsibility for social needs; or to restate old principles for a welfare state in the hope that, by reiteration, those principles will reassert their power as an intellectual guide for social development. But, a successful effort is much more demanding. Much of the unease in arguments about welfare derives from the tendency for advocates to press for action toward the extremes of much more or much less government

fmap
20
-25

responsibility without having agreed upon a central foundation of public opinion about public obligation. In other words, there has not been articulated a common value base about social obligation which enjoys such wide support that all those involved will use it as the starting point for evolution of the welfare state of the 1990s.

The challenge of the immediate future is to establish the core foundations and the basic programs for social responsibility on a more firm basis. Any core foundation will change as the pragmatics of demographics, economics and politics change. ~~In Australia however, we are probably closer to set of core foundations than say in the US, UK, France, Germany, but further away than in some other European countries.~~ Development of core foundations requires that advocates differentiate between what is essential as a foundation for governmental obligation, and what is desirable but not essential. We used to call this residual and institutional - but that was more than thirty years ago.

Now the debate is couched in terms of social justice, fairness, horizontal and vertical equity, ethical justice, socially created and structured dependency and so on. The concepts are more complex, but how much better off are most people? More importantly perhaps, how much better off should they be?

Again we're back to the value questions, and the ethics questions. One could of course decide to take a thoroughly

pragmatic approach and ask what will the traffic bear? How much oil should we put on the squeaky wheel. In other words where do ideology and pragmatism intersect?

Let me spend a couple of minutes on the pragmatics and the structures. We live in a pluralist society in which rewards are allocated more on the basis of the nature of the articulation of the interest than on the inherent quality or demonstrable basis of the need. And all of this takes place within a privatised federal system, with solid government intervention.

fine
30

~~The politics of expressing and articulating interests illustrates nicely the pragmatics of the system. The resources, both political and financial, of welfare groups, are limited. In some cases they are able to make claims through personal connections through the media or responsive local politicians. By and large their communication channels are not as well-oiled as those of business and professional groups in their use of 'the old school tie' or through their clubs and social contacts, not to mention their more formidable bargaining power. By combining together, under a general promotional umbrella, the interests of the welfare groups can be better articulated. There are several 'peak' organisations in social welfare, such as the Australian Council on the Ageing (ACOTA), the Australian Council for Rehabilitation of Disabled (ACROD) and perhaps the best known, the Australian Council of Social Service (ACOSS).~~

Whether they promote causes or look after their members they are in the business of making claims. Welfare politics is the conflict between citizen and group demands for inclusion in the face of institutional and group policies which promote exclusion. Who goes on the scrap-heap and who doesn't? Social policy is clearly big business and big politics, and the big political issue relates to the claims that are made in our society and the response to those claims. All persons, make claims for allocations, which affect their well being, on four institutions, the state, the family, employers and the local community. [Elderly people for example make claims mostly for an adequate income, for appropriate living arrangements, for high quality services, for independence and dignity, and for institutional responsiveness and a sympathetic attitude towards ageing.]

There are four major delivery systems which can act on these claims, the statutory system, the commercial system, the voluntary system, and the informal system, and politically and socially we have not been able to determine authoritatively, the appropriate place and appropriate response of each.

Welfare in the Corporate State is about this reconciliation. It changes with the power of interests and with the prevailing political consensus. Understanding these is crucial to understanding the welfare politics of the 1990s.

Roughly there are three types of interest groups in welfare.

First there are those with a direct interest. This group breaks into two types of parties with a direct interest - providers and recipients. The drug companies, life assurance companies and the AMA all have a direct interest as do the various pensioner groups, consumer groups and tenant groups.

Second there are the politicians and bureaucrats - the executive lobby, and historically we have seen an enormous impact from this group - especially the bureaucrats. Third, for want of a better term there are the do-gooders, those who have nothing to gain directly, other than the satisfaction of their humanitarian aspirations by positive social pay-off. This lobby includes individuals in the churches, voluntary organisations, professions and academics who possess a sense of social justice, a belief in a reduction of inequality, and a hope for a better social future. This forms the basis of their activism.

The broadening of life chances essentially entails a group approach to politics. Group demands which transcend individual interest are the key to our welfare future. ~~Our individualist orientation often casts suspicion on the claim by lobbies for benefits which are not obviously individually correlated. The aggregate nature of social policy outputs is often difficult to relate to pressure group politics.~~

Slide
4

It is very likely that the most severely disadvantaged are not part of the direct interest lobby, and that the goals articulated by the various organisations vary so greatly that any single focus is severely blunted. To test this would require profiles of the organisations in question. It is most likely that fragmentation of interests will occur unless there is an active search for a consensus which ensures the protection of the weak, the vulnerable and the disadvantaged.

If we look at the consensus and at the allocation system we can see both the process and the substance. In analysing the distribution and impact of cash transfers and goods and services provided collectively through government spending we are dealing with the social wage. ~~It is commonly assumed that a redistributive component flows from such expenditure but this is not necessarily so. While the expenditure on the social wage reflects general government commitment to the welfare of the 'less fortunate', the distribution of the social wage is intensely political.~~

The social wage is a difficult concept to define because it comprises certain government expenditures that have some value which is not always visible. In simple terms the social wage is that part of government spending which provides benefits, either in cash or kind, to individuals and families. If these goods and services were not provided by government they would have to be purchased out of private income. ~~The Federal Government's Economic Planning Advisory Council has defined the social wage~~

as 'those items of government expenditure that are capable of making a direct contribution to living standards of households including specifically, government spending on education, health, social security and welfare, and housing and community amenities.

It is generally accepted that the social wage expenditures have a wide range of redistributive objectives. These include alleviating poverty, redistributing resources towards particular stages of the life-cycle and providing equal access to certain services.

The four main social wage items (education, health, social security and welfare, and housing) differ in the emphasis they place on these redistribution objectives. Education and health spending are primarily based on the principles of equality of access and opportunity. Most social security and welfare outlays are intended to alleviate poverty. Spending on housing is based on the principle of equality of access, but the programs are mainly directed at low income earners.

Analysis of ABS Household Expenditure Survey data (especially by Harding in 1984) has shown that social security and welfare outlays, particularly age pensions, invalid pensions and widows pensions went mostly to very low income earners. So too did expenditure on rental welfare housing. Education expenditure went mostly for the benefit of those in the highest income deciles. This was particularly so of outlays for non-government

schools and tertiary education. Health and medical outlays reasonably matches income distribution in Australia.

While most social wage outlays are ostensibly directed towards low and middle income earners, many high income earners receive considerable assistance at particular stages of their life cycle. ~~For example, a relatively high income family with three children, including one at university, may receive more in social wage benefits (in per capita terms) than a sole parent family with no private income and two pre-school or school age children.~~

If we look at Australia today there are clearly three different sorts of welfare states existing side by side. First there is the 'visible' welfare state which provides meagre resources and a supposed safety net to about 20 per cent of Australians who exist below or only marginally above the most austere poverty line. Second, there is the less visible welfare state which provides access to quality education, health care and fairly high-grade community resources for the middle classes. Third, there is the welfare state which provides expensive transfers, benefits and services to the affluent section of the community. This is the hidden welfare state. Yet it is the wage and salary earners, poor and rich - but mostly poor - who pay the costs of the shiny Mercedes-Benz.

When we unpack the component parts of the social wage we can examine it on two axes - a horizontal axis which goes from physical survival on the left to social functioning on the

Final
35

Final
Slide

Final
Slide

right. The vertical axis has the state at the top and the market at the bottom. These can be depicted as the outcomes (horizontal) and the process (vertical). Nine cells can be identified as per the diagram. The horizontal axis is pretty well fixed, but the vertical axis is the arena in which our welfare politics of the 1990s will be played out.

A retreat from the welfare state would find greatest concentration of state effort in cell 1 with a little spillover to cell 2. An expansion of the welfare state would find state activity spreading downwards to cells 7, 8 and 9. While the degree of movement on the vertical axis is the playing out of our welfare politics of the 1990s, it must be stressed that different parts of the vertical axis may flex or bend at different rates. For example it may be easier at some times to get a tax supported Mercedes Benz than an increase in tertiary education or an increase in the age pension or in the handicapped child allowance. Process and outcome are both major variables and analytical tools. The differential claim making skills of the direct interest lobby, the executive lobby, and the do-gooder lobby are crucial here.

A welfare agenda for the 1990s is not likely to be painted on an expansionist canvas. There are no unlimited resources, nor are there absolute positions on rights, shares and claims. As I said at the outset, issues of capacity and willingness constitute the basic background for the larger portrait. The next splash of paint brings in the lobby groups who strive for

their shares and make the claims. The final touches come with the determinants of the social wage and the flexibility of the easel upon which the portrait stands.

The frame, to cap it off, lies in the structuring of a welfare agenda, and I would conclude by seeing the four parts of the frame as comprising

- a) some general consensus at any point in time about the objectives of the intervention system (how far down the axis of the social wage diagram the state should come)
- b) identifying a basic core of government responsibilities, say work and income, health, especially primary health, and shelter
- c) retreating from unrealistic or excessive objectives, but at the same time making a massive commitment to better management and better program administration and delivery. Thus before any expansion we must make sure that what we do now is done effectively, efficiently and compassionately and that management manages well
- d) creating a better knowledge base, better analysis, better research and better dissemination of knowledge, so that all our activists and operators can work from the best possible knowledge base.

Processes such as this, sponsored by the Social Policy Institute of NSW certainly help bring forward coherent visions for the 1990s, and the role of welfare in the corporate state.