Inclusive Growth and Australian Social Policy

Paul Smyth
Background

• 2010 flexicurity workshop
• flexicurity and gfc?
• productivity decline and social policy?
• Development policy and inclusive growth (2009 -) China\ India
• A broader framework to realign economic and social policy
• Now is the hour: minerals and shared prosperity
Social and economic policy in developed economies

• Midgley (2008) Social security as:
  • adjunct to economy
  • Delinked from the economy
  • Economically harmful
  • An economic invetsment
Welfare or social investment state?

• ‘paradigm shift’ (Droblloski, Lister 2008)
• UK Commission on social justice (1994):
  • Deregulators’\ levellers’\ investors’ Britain
  • Giddens ‘social investment state’
  • Subordinating social to economic (Lewis and Surender)
• From ‘compensation’ to ‘investment’ (Gough 2011)
In EU

- OECD from social protection (1980s) to social investment (1990s)
- ‘new paradigm’ Lisbon Strategy (Morel et al 2009) realign ec and soc for knowledge economy and ageing society:
  - Child centred
  - Human capital – life long learning
  - Employment centred (ALMPs\ make work pay)
And flexicurity

- Euro sclerosis or competitiveness and growth
- Third way (liberal?) version Giddens
- Nordic (social justice Rawls) Esping Andersen
- flexicurity: integrating labour market, social security, family, educational
- Originally seen as a ‘trade off’ to salvage social protection but recast as win-win in social investment state
- new fiscal crisis
Social and economic policy in developing economies

• Parallel history now converging (‘end Chinese wall’ Mkandawire
• Postwar Big push Keynesian style industrialisation\welfare restraint\widen inequality
• 1970s Redistribution with Growth WB 1976
• Washington Consensus
• 1990s towards MDGs
Inclusive growth

• Stiglitz et al new pragmatism in economic policy re state intervention (ed\training\ industry policies ...)

• Pro poor growth debate: (absolute definitions of poverty emphasising growth as the solution; relative definitions look to growth with redistribution)

• Undertheorised but different policy settings to WC
World Bank (see Growth report 2008; Inclusive Growth 2009)

• Policies for inclusion and growth cannot be undertaken separately. No ‘trickle down’
• Manage pace and pattern of growth ensuring equality of opportunity
• Need broad based growth across sectors
• Productive employment not simply income redistribution
• On intervention: patience, pragmatism and experimentation seeking a national fit
UNRISD Combating Poverty and Inequality (2010)

- No trickle down
- Employment centred growth
- Universal services
- Tackle inequality traps (cf ‘bad inequalities’)
- Effective state capacity - active citizenship
Some key concepts

• Influence of Sen et al on development as freedom with broader development measures based on capabilities
• Effective investment in capability is as much about improving quality of life as productive ability thus reducing ‘trade off’ equation
• Human capital once counted as ‘consumption’ now as capital investment
Late industrializers and developmental welfare

• Bismarck model: productivist, selective welfare, authoritarian politics
• Nordic: productivist, universal entitlements, democratic governance
• Cf Varieties of capitalism approach
Australian social policy muddle

- Vacuum left by end of ‘wage earner welfare’
- Productivity Commission: a ‘liberal’ regime
- Howe: from WEWS to welfare as investment (tlm-flexicurity path)
- Human capital and NRA
- Treasury wellbeing framework
- Social inclusion enigma
- ‘Tough love’ (1990s)
- ‘middle class’ welfare family payments
- welfare tax concessions blow out (eg private health\superannuation) (Stebbing and Spies Butcher)
Applying an IG diagnostic

• Never ‘trickle down’ or simply ‘liberal’ (Castles Mitchell on wages)
• But much more: colonial break up of land monopolies\ major public infrastructure\ free elementary ed
• Social services: ‘every individual should have as good a chance in life as (his) neighbour’ JPSS (1941) get moving frontier between public and right important for today’s human capital agenda (Giddens or Esping Andersen?)
Diagnostic cont.

• Employment centred growth the ‘main game’ in Australia: no to Poor Law; 1945 White Paper (‘natural rates’ accepted today but opportunity for full employment? )

• Broad based across sectors: federation use rural export earnings to support manufacturing urbanisation high wage population growth. 1980-90s reversed tariff protection (good) but all forms of intervention (?)
Last slide

• Tackling inequality traps (the welfare state tradition of 70s focussed on social, today add economic)
• challenge left by wews governance vacuum. Lived too long with myth that award wage system had more or less substituted for welfare:
• ER Walker 1940s; IR commission 1960s; accord and social wage 1980s
• Min wage still an important factor but need state capacity to elevate and integrate social objectives with policies for growth and productivity