The Brotherhood of St Laurence is a non-government, community-based organisation concerned with social justice. Based in Melbourne, but with programs and services throughout Australia, the Brotherhood is working for a better deal for disadvantaged people. It undertakes research, service development and delivery, and advocacy, with the objective of addressing unmet needs and translating learning into new policies, programs and practices for implementation by government and others. For more information visit <www.bsl.org.au>.

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Published by
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Suggested citation: Thornton, D, Bowman, D & Mallett, S 2020, Safety net to poverty trap? The twentieth-century origins of Australia’s uneven social security system, Brotherhood of St Laurence, Fitzroy, Vic.

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SUMMARY

Australians need a social protection system that can insulate us from new social risks as we face uncertain challenges of the century ahead. This background paper is one of several publications that argue for the urgent overhaul of our social security system to make it fit for purpose.

The crisis triggered by COVID-19 has severely tested the effectiveness of our social security system. The raft of temporary emergency measures introduced since March illustrates the need for ongoing reinvestment and renovation, both to improve the resilience of the system and to build its capacity to provide protection against new economic risks and system-wide shocks, such as those predicted as climate change accelerates.

As it stands, our social security system is a relic of the last century. It was designed to complement a suite of economic policies that established employment as the foundation of economic security. Since these policies were dismantled, paid work has become more precarious and incomes have become more volatile, and the system designed as a safety net has, for too many households, become a poverty trap.

It is time to reclaim social security and begin a more constructive and well-informed conversation about the types of reform needed to rebuild a system equipped to respond to the social and economic conditions of this century.

By laying bare the origins of our social security system—the shifting conditions and historical accidents that have shaped the system we have inherited—this background paper aims to establish the foundations for such a discussion.

Welfare politics at Federation

Public discussion about social welfare in colonial Australia was dominated by concerns about the effect of charity on the work ethic of the able-bodied poor. The onus was on charitable societies to sort the deserving from the undeserving poor.

By 1900 attitudes to poverty began to change. Social liberals argued that poverty was caused by precarious work and inadequate wages. From 1907, following the Harvester Judgement, employers were bound to pay a male worker a ‘fair and reasonable wage’, sufficient to sustain himself, his wife and their children in ‘a condition of frugal comfort’.

The basic male wage became the centrepiece of what has been described as the ‘wage earners’ welfare state’ (Castles 1985), but thereafter—in spite of challenging times like the 1930s Great Depression—attempts to extend social protection to those outside the labour market failed.

Labor’s safety net

Wartime (1939–45) created the right political conditions for the creation of a more comprehensive social security system. Unemployment was reframed as a problem of insufficient demand. But because gaps in employment remained unavoidable, Australian wage-earners would also need some form of social security.

The design of social security was contested but Labor’s vision won out: the Commonwealth would fund social security from general revenue, targeted to the most in need through a means test. Unemployment benefits were framed as not a hand-out, but a just reward for working hard and paying tax.

Social security was not designed to let people to live well outside the labour market. The value of a ‘safety net’ was as symbolic as practical: it existed to provide ‘peace of mind’ rather than reliable income replacement.
The basic male wage remained the foundation of social security policy and the Unemployment Benefits resembled a dole more than an earned social entitlement.

Radical universalism

The Whitlam government (1972–1975) sought to reform the system along social democratic principles. Social security would no longer be merely a safety net, but a precondition for economic justice.

Economic justice demanded that social security should be provided according to need, in recognition of the innate value of every citizen, not an assessment of character (Hayden 1974). To this end Labor implemented parity between unemployment payments and pensions, and broadened access to the age pension.

The Poverty Inquiry chaired by Professor Ronald Henderson highlighted many systemic problems in the design of social security and put forward a concrete proposal for a basic income scheme, but poor timing meant its recommendations were never realised.

Deregulation, activation and the reintroduction of risk

The last forty years of social security reform mark a steady retreat from the principle of universalism and a return to older notions of ‘deservingness’.

This has coincided with the dismantling of the regulatory frameworks and institutions put in place to curtail both economic volatility and deep inequality. At the same time as deregulation has markedly increased household exposure to risk (Banks & Bowman 2018), the social safety net has become less effective.

Around the world, industrialised nations competed to rein in social spending and get the long-term unemployed back to work. Active labour market policies varied considerably. Some countries emphasised the responsibility of governments to actively facilitate people’s re-entry into the labour market, while others stressed the responsibility of individual jobseekers to actively seek employment.

Australia initially sought a middle way. Activation policies and social security were integrated into a framework of ‘mutual reciprocity’ whereby eligibility was made conditional on jobseekers’ participation in prescribed activities.

Welfare conditionality and the return of deservingness

The Howard Coalition government (1996–2007) continued this activation agenda by intensifying the use of conditionality as a means of moving people off social security.

It reframed the problem of unemployment as ‘welfare dependency’ and increased the compliance requirements for jobseekers. The 2006 Welfare to Work reforms restricted access to the disability pension and extended mutual obligation to single parents of school-aged children and people with complex disabilities.

Since 2010 there has been a marked convergence between the major parties on social security policy. Labor (2007–2013) initially softened mutual obligation but retained the bulk of Howard-era reforms. To prove its credentials as ‘the party of work, not welfare’ (Grattan 2011), Labor further refined eligibility for the Disability Support Pension and brought forward new eligibility rules for Parenting Payment.

The last comprehensive review of the system (Reference Group on Welfare Reform 2015) found it ‘out of step’ with both contemporary ‘labour market realities and community expectations’ and recommended substantial reform.

Targeting and the dilution of entitlement

Expenditure has been increasingly targeted to groups considered deserving of assistance—namely low-income families with dependent children and retirees (through the age pension and subsidies for private superannuation).

Though the transfer system has retained its redistributive character, targeting has reinforced the distinction between different classes of payments and eroded the entitlements of those at the margins of eligibility.

People with disability are ineligible for the disability pension if they are assessed as capable of working 15 hours a week (Services Australia 2020a). However, higher expectations have not been accompanied by investment in specialist employment support and there has been a steep increase in the proportion of people with significant disability living in poverty.

Family payments have generally defied the trend towards austerity, though sole parents have been subject to the same erosion of entitlement as disability pensioners. Since the 1980s transfers to families with dependent children have become more targeted to low-income households, and more generous; however, the dent to child poverty rates has since been reversed as housing costs have risen (Harding, Lloyd & Greenwell 2000).
Time to be bold

The economic disruption necessary to contain the novel coronavirus is a timely reminder of why we need an effective social security system.

Previous generations adapted the social settlement as they saw fit, to protect the collective wellbeing of the nation. Now it is our turn. This means asking hard questions about present policy settings and facilitating debate about the alternatives.

Do the benefits of means-testing outweigh the costs it imposes?

Today means-testing is broadly viewed as the best way to target resources to those who need them most, but its value was once fiercely contested.

Nominally a progressive measure to stop cash transfers to the better off, assets testing creates poverty traps and discourages saving. It also undermines social solidarity by creating an impression of unfairness.

For as long as a significant proportion of Australians feel that the safety net is not there for them, social security will remain politically divisive.

Is the distinction between pensions and allowances still appropriate?

The determination to treat the unemployed more harshly than other beneficiaries has its roots in the much older preoccupation with sorting the deserving from the undeserving poor. The lower rate of unemployment benefits made some sense in the context of full employment when unemployment really was temporary. Post deregulation, the average duration of unemployment has become longer, and underemployment has become endemic in some sectors of the economy. The tightened eligibility requirements for the disability pension have also resulted in large numbers of people relying on the Newstart Allowance (now JobSeeker Payment) for the long term.

Is basic income the solution to economic insecurity?

Another proposal that has generated interest is some form of basic income (Klein, Mays & Dunlop 2019). Adherents claim that basic income offers a way to provide economic security in the face of precarious work and therefore improve wellbeing (Bregman 2016).

However, every proposal necessitates trade-offs and risks unintended consequences; and no form of basic income can address economic insecurity without complementary reforms to provide decent work and improve financial wellbeing (Bowman, Mallett & Cooney-O’Donoghue 2017). Ultimately any scheme must be evaluated against the principles of dignity and autonomy, equity, accountability and solidarity in addition to adequacy (Bowman, Thornton & Mallett 2019).

There are no simple answers to these key questions. But the overall goal is clear: we need to learn from the past and be alert to current and future challenges so we can reimagine our social security system to deliver a just and compassionate future for all Australians.

Acknowledgement

The account presented here of welfare provision from the colonial period up to 1945 is indebted to the scholarship of Professor John Murphy, whose 2011 book A decent provision: Australian welfare policy 1870–1949 proved an invaluable source. We would like to thank Professor Murphy for allowing us to lean on his analysis and argument, for reading a draft of this paper, as well as for his longstanding and ongoing friendship to the Brotherhood of St Laurence.
1 INTRODUCTION

The crisis triggered by COVID-19 has tested the effectiveness of Australia’s social security system. The raft of temporary emergency measures introduced since March illustrates the need for ongoing reinvestment and renovation, both to improve the resilience of the system and to build its capacity to provide protection against new economic risks and system-wide shocks, such as those predicted as climate change accelerates.

A strong, fair and supportive social security system is a precondition for a just and compassionate society. It is also the foundation of open, inclusive and stable democracy.

This is especially true at this moment of uncertainty, as we grapple with the economic, civil and geopolitical repercussions of the coronavirus pandemic, and struggle to absorb the impacts of digital disruption and a looming environmental crisis.

This background paper is one of several that build the case for the urgent overhaul of our social security system to make it fit for purpose. The Reclaiming social security series aims to provoke discussion about the type of social security we want and need (Bowman, Thornton & Mallett 2019). It is our hope that a renewed consensus on the purpose of social security will lead to reforms to address new social risks in the twenty-first century.

Every welfare system ‘encodes values and ideas about who is entitled to what, about what conditions should be attached to that support and about what sort of society we want to live in’ (Murphy 2011, p. 2). By laying bare the historical conditions that led to the status quo, this paper shows how a system constructed as a safety net unravelled, and in doing so created the space to imagine an alternative.

Explaining the wage-earners’ welfare state

The idea that ‘work is the best form of welfare’ is deeply ingrained in our political discourse. The expressed purpose of social security is to support economic security at times when people are unable to support themselves. Yet from its inception, the Australian model has tended to reinforce economic autonomy through paid employment, at the expense of both adequacy and equity, earning it the label of the ‘wage earners’ welfare state’ (Castles 1985).

The Australian system has been characterised as a typical ‘liberal welfare regime’ (Esping-Andersen 1990); and its key features, such as low flat-rate payments, stringent means-tests and the stigma attached to payments, do seem to place it in this category, alongside the United Kingdom, the United States and Canada. But Castles (1985, 1994) and others (Sainsbury 1999; O’Connor, Orloff & Shaver 1999) argue that the liberal label downplays its most significant and distinctive feature: the basic ‘breadwinner’ wage, which enshrined full-time male employment as the foundation of social protection.

The distinctive character of the Australian system is partially explained by the concept of ‘path dependence’ (Hacker 2002). Murphy (2011) argues that the institutionalisation of compulsory industrial mediation via the Arbitration Courts was instrumental in shaping the subsequent development of Commonwealth welfare policy. Once it became enshrined in law as the ‘irrevocable minimum standard’, the basic wage cemented sectoral interests and established public expectations that restricted what was politically possible. As a result, writes Castles (1985), the new nation once dubbed the ‘social laboratory of the world’ had by the 1930s become something of a ‘welfare laggard’ with a notably underdeveloped social protection system (p. 83).

Path dependence also helps explain the unevenness of the Australian social security offer. From 1907 arbitration nominally ensured a living wage for full-time male employees and their dependants, and from 1945, full employment plus the basic wage theoretically rendered a broader system redundant. Poverty was viewed as the preserve of those households without a male breadwinner, some of whom were considered more ‘deserving’ of support than others: widows and their children, households headed by men too sick or disabled to work, and those dependent on the means-tested age pension.

But this is no longer the case: what was once thought the standard employment relationship has been transformed, the power of trade unions has declined, and as a result paid employment alone no longer guarantees economic security. Thirty years on from the abandonment of full employment policy, and over twenty since the sidelining of the arbitration system, the problems of precarious employment, chronic underemployment and pervasive economic insecurity, which once vexed colonial social reformers, have returned, and with them rising income inequality (Coelli & Borland 2015).

Now that the institutional architecture that once stymied reform no longer exists, we hope that this paper will prompt readers to reflect on the kind of social security we need and to consider the possibilities for systemic change.

The present COVID-19 crisis has shown up the weaknesses of the existing system, but it is also an opportunity to rebuild a fit-for-purpose social security system that can recognise and respond to new and old social risks.
Colonial debates about social welfare were shaped by concerns about the moral hazards of charity, particularly the harmful impact of ‘indiscriminate almsgiving’ on the self-reliance of the able-bodied poor. The case against charitable relief drew on evangelical Protestant beliefs that regarded idleness and extravagance as sinful. In the 1800s, British economic thinkers like David Ricardo and Thomas Malthus lobbied against the old system of parish relief. They argued that charity distorted the labour market by weakening the incentive for the poor to work for wages.

Under the new Poor Law of 1834, only the frail elderly, the sick and the most disabled were judged worthy of community support. Although no Australian colony replicated the sort of Poor Law regime in place in Britain, public discussions about the problems of poverty and destitution echoed the same anxieties (Murphy 2011, p. 5).

By the 1870s laissez-faire market capitalism was coming under challenge. It was observed that the extent of deprivation displayed in Britain’s towns and cities waxed and waned in line with cyclical fluctuations in the labour market, and concluded that poverty was not after all a personal failing. Government was therefore obliged to actively manage the economy on behalf of the most vulnerable.

Under the slogan of ‘society organised for the common good’, social liberal economists such as TH Green and JA Hobson aspired to ‘civilise’ capitalism. Their ideas circulated within the common public sphere that connected Britain and its outposts and helped shape the political convictions of reformers throughout the Empire.

‘A right and not charity’: the age and invalid pensions

Historian John Murphy (2011) traces the development of Australia’s social security from 1870 to 1949. He argues that social liberalism helped crystallise support for an age pension. Hitherto, older people who became destitute were typically detained in benevolent asylums. Reformers argued that as ‘worn-out wealth-creating machines’, elderly paupers were entitled to support in recognition of their lifetime service to society. To combat the stigma tied to relief, the pension would be ‘a free gift from the state in recognition of services rendered’ and explicitly not a ‘pauper dole’ (p. 67); a ‘right and not charity’ (p. 60).

But the first colonial pension schemes nonetheless reproduced the distinction between the deserving and undeserving poor. Payments were means-tested and subject to a character test. People had to prove they had led ‘a sober and respectable life’ and lost their pension if they were later found to have been in prison. If there was a suspicion that pension monies had been misspent, payments could be paid to a relative or cleric or cancelled altogether. According to Murphy, the Victorian application process was particularly onerous. Applicants were called to appear at a public session before local dignitaries to present evidence of their respectability and account for their failure to put anything by. Those who ‘exhibited a spirit of self-help and prudence’ were granted a pension; those judged ‘intemperate and extravagant’ were discharged to the poorhouse (p. 63). However, these colonial schemes, at least in principle, extended eligibility to First Nations people and settlers of colour: when the Commonwealth scheme came into effect in July 1909, all non-white residents, even those already naturalised before the racist Naturalisation Act 1903, were formally made ineligible for benefits reserved for white settlers (Lake 2019, p. 70).

The federal Labor Party initially claimed that means-testing perpetuated stigma, but later retained the income test. This was at least partly to contain costs, since the Commonwealth had little scope to raise taxes and the new pension was to be paid from general revenue. Labor would be taunted by opponents in future debates for their fiscal recklessness, since the passage of the Old Age Pension in 1908 effectively paved the way for the Invalid Pension in 1910 (Watts 1987). When in 1912 the family home was made exempt from the means test, further expanding eligibility to better-off homeowners, Labor’s political opponents deemed the cost to be an excessive burden on the fledgling Commonwealth government.

Harvester and the defeat of national insurance

The Conciliation and Arbitration Act 1904 delivered on Labor’s promise to create a national legal framework for the resolution of industrial disputes, but its passage proved politically costly. Social liberals had long railed against the injustice of wages being determined by ‘the higgling of the market’ and were critical of the lawlessness of the tactics, such as strikes and lockouts, adopted by employees and employers during wage disputes. As a remedy they proposed that wages should be set by governments at a level that guaranteed a decent livelihood. To this end, the Protectionist Deakin government introduced a Bill giving the Commonwealth the power to intervene in state-level industrial disputes. But when a disagreement over the scope of the law led to Labor withdrawing support, Alfred Deakin was deposed and replaced by Labor’s first prime minister, Chris Watson (McMullin 2004). However, the first Commonwealth Labor government lasted only four months,
Safety net to poverty trap?

Welfare politics at Federation: the influence of social liberalism continued

and the Bill was eventually passed into law by the Free Trade Reid government with Labor support.

In 1907 the principle of guaranteeing a decent livelihood was brought into effect when, in a test case, Justice Higgins ruled that a ‘fair and reasonable wage’ meant a living wage, ‘explicitly independent of the laws of supply and demand’, sufficient to sustain a male employee, his wife and their children in ‘a condition of frugal comfort’ (Murphy 2011; Ex parte H.V. McKay (1907) 2 CAR 1).

What became known as the Harvester Judgement established the basic wage as the bedrock of Australia’s social protection framework, and in doing so set the direction of Commonwealth welfare policy for decades. Castles (1985) describes it as one of three pillars—along with the White Australia policy and the tariff system—of the ‘wage earners’ welfare state’, an arrangement described by Smyth (2006) as a system of ‘social protection by other means’. Castles and Shirley (1996, p. 91) describe how the logic of wage determination curtailed the development of a more comprehensive welfare state:

The built-in assumption of a ‘fair wage’ made for the development of social policy quite different from that in Europe. Benefits could be residual rather than universal, because they were only required by those with no labour market connection; benefits could be flat-rate ... because they were only a secondary safety net below stipulated minimum wages; benefits could be more appropriately financed from general taxation than from contributions, since contributions would imply a right to social assistance, when the only right within the system was the right to ‘fair’ wages.

Other historians have also drawn attention to its role in entrenching the gender pay gap and cementing an exclusive social compact between white men (Lake 2004; Hearn 2006; Owens 1993).

The first defeat of social insurance

As Murphy (2011) notes, many scholars agree that the success of the arbitration system stymied the introduction of a complementary social welfare scheme based on insurance principles. He observes that Queensland introduced unemployment insurance in 1919, but a Commonwealth scheme was not seriously proposed until the mid-1920s. From the outset social insurance was pitched by liberal politicians as a ‘middle path’ between individual and collective responsibility which would avoid placing an additional strain on Commonwealth revenues. Because it was based on contributions, an insurance scheme would remove the taint of charity and reward individual thrift.

Labor initially opposed compulsory insurance because it required workers to fund the scheme out of their wages, but was equivocal about the model put forward by a Royal Commission into the matter which recommended that the cost be shared between employers, employees and the Commonwealth. However, employer groups rejected this formulation on the grounds that the cost of employee contributions would drive up the basic wage. The Bruce government initially attempted to broker a compromise, but in September 1928, with an election looming, made a tactical decision to abandon its commitment to national insurance.

The campaign for child endowment fared no better. In 1912 the Fisher Labor government had introduced the Maternity Allowance, a one-off cash payment to new mothers, but eligibility was conditional on whiteness and the rationale based more on eugenics than social justice. During the 1920s a coalition of feminist and Labor activists began to campaign for assistance to low-income families to support the costs of raising children. Feminists argued that a child endowment payment, paid per child, directly to mothers, would strengthen women’s economic position within the family, while some women in the Labor Party thought child endowment would serve as a welcome supplement to the basic family wage.

However, the campaign drew attention to the contradictions implicit in the basic wage: was it fair, asked feminists, that single men drew a family wage while female breadwinners received a pittance? The uncomfortable truth of this argument drove a wedge between feminists and Labor, and the activist coalition fractured. Presented as a trade-off between the dignity of male workers and the special claims of wives, Labor staunchly defended the integrity of the basic wage and came to view all feminist claims as a bourgeois conspiracy to undermine the economic security of the working class.

The impact of the 1930s Depression

The failure to implement a national insurance scheme was sorely felt during the Depression of the 1930s. Only in Queensland were unemployed breadwinners able to draw on benefits. Elsewhere, sustenance was initially administered by charities, but this soon taken over by local authorities in return for the right to ‘employ’ unemployed workers on local public works (Macintyre 1985).

Murphy (2011) observes that sustenance, the ‘susso’, was well below the family wage but nonetheless framed as a means of allowing men to salvage their dignity by ‘earning’ their relief. Willingness to undertake ‘work for the dole’ was also viewed by governments as a mechanism for sifting out
the ‘clever codgers’ from the genuinely needy and reflected the expectation that public welfare ought to be conditional on demonstration of one’s commitment to work.

The second defeat of national insurance

The experience of mass unemployment put the issue of a national insurance scheme on the policy agenda, but by 1930 the cost of the age pension had soured support on both sides of politics for a scheme funded from general revenue. Policymakers in the conservative Lyons government (a coalition of the United Australia Party and the Country Party) looked to Europe and the United States, where a Social Security Act had been passed in 1935. They concluded that a scheme based on compulsory contributions was the marker of a ‘modern, rationally organised society’ and the only means of providing greater social protection that also preserved beneficiaries’ self-respect (Murphy 2011, p. 184).

In 1938 the government proposed a compulsory scheme for all manual labourers, and other employees earning less than £365 per annum, or nearly twice the basic wage. Since the scheme drew on earned entitlements there was to be no means test. Employees would be insured against loss of income due to sickness or disability, though not unemployment. Medical costs would be covered, but not for dependants. Insurance would also provide an income to widows and orphans upon the death of a breadwinner, as well as replacing existing age and invalid pensions. As co-contributors, citizens would become, in the words of Robert Menzies, ‘protectors over their own individual lives’ (cited in Murphy 2011, p. 194).

Labor was opposed to this proposal on the principle that compelling working people to contribute was ‘utterly unjust’. Feminists too argued that the scheme was discriminatory since women forfeited their benefits upon marriage, while medical practitioners complained that the fee-scale compromised their right to set prices.

But the main sticking point remained the basic wage. The UAP sought to reassure employers that the scheme would not inflate wages because the arbitration courts would be forbidden from factoring the cost of contributions into the basic wage. As Murphy observes, this led the ALP to declare it ‘a direct attack on the wage standards of workers’. The scheme also opened tensions within the coalition: the Country Party threatened to break away unless farmers were exempted, and Menzies committed to resign from the Cabinet if they were. As the need to prepare for war took precedence, the scheme was summarily abandoned; and with it, the possibility of universal social insurance.
Murphy (2011) argues that the second contest over social insurance highlighted the different principles held by conservative and Labor politicians. Social liberals such as Menzies had always regarded the means-tested age pension as a moral hazard since it forced pensioners to accept ‘something for nothing’. Labor meanwhile hardened its opposition to insurance as a ‘regressive social measure’: since the profits accumulated by the wealthy were generated by labour, those who laboured were entitled to their fair share. From Labor’s vantage point, those in the best position to pay should bear the cost, and so if it was funded by progressive taxation, a scheme funded by general revenue was felt to deliver a welcome measure of redistribution.

Progressive taxation and social citizenship

Wartime perversely created favourable conditions for the expansion of social security. Keynesian economics provided a rationale for the Commonwealth to massively increase fiscal expenditure to finance both the war effort and ambitious new social programs to keep up public morale. War also strengthened the authority of the Commonwealth over the states.

Under pressure to expand revenue to pay for the war, the Labor government, which had been elected in 1941, proposed a trade-off. War required sacrifice and Labor asked low-income earners, formerly exempt from income tax, to pay their share; in return, the Commonwealth would establish a National Welfare Fund which after the war would provide free universal health care, unemployment and sickness benefits.

Watts (1987) sees Curtin’s pitch as disingenuous, arguing that Curtin and treasurer Chifley were motivated by a desire to consolidate Commonwealth funds rather than to redistribute wealth. If so, it was an ingenious attempt to manufacture public support for social security. Through broadening of the tax base, every labouring man and woman became a direct contributor to government revenue, entitled to draw down benefits as needed. In ‘reaching down’ to the poorest workers—the tax-free threshold was lowered to half the basic wage—Labor sought to reframe social security as a ‘hard-earned entitlement, not a ‘handout’ or a ‘pauper dole’ (Murphy 2011).

The principles behind post-war social security

In July 1941 the Menzies government had convened a special cross-party Joint Committee on Social Security to reconsider the merits of a contributory social insurance scheme.

Shaver (1987) credits the committee with establishing three principles that came to underpin the post-war welfare state: firstly, in conceiving poverty as ‘not the fault of the individual but of the environment in which he [sic] lives’ the committee argued that the nation ought to be collectively accountable for its alleviation (p. 427). National unity demanded the extension of full social citizenship to all settler-Australians regardless of the state in which they lived; many First Nations people remained ineligible for Commonwealth benefits, though some could claim a certificate of exemption if able to demonstrate that they had successfully assimilated (Murphy 2013). Secondly the committee established progressive taxation as the proper basis for an equitable social security system. Thirdly, it extended the basic wage principle to social security, so that payments nominally included the cost of supporting dependants.

The architecture of post-war social security

Full employment, and not unemployment benefits, was at the heart of Labor’s promise of economic security. The economist HG ‘Nugget’ Coombs, charged by Chifley with overseeing the post-war reconstruction effort, was strongly influenced by the ideas of John Maynard Keynes. Keynes had shown that governments could intervene to stimulate demand for labour, and believed they had a moral obligation to do so. Coombs understood that the electoral appeal of full employment lay in its promise of economic security and freedom from ‘fear of idleness and the dole’ (Coombs 1994).

Social security programs were by comparison, in Chifley’s words, ‘at best palliatives to the world’s economic problems’ (cited in Murphy 2011, p. 225). The ambition of Keynesian economic management was to make social security ‘less and less necessary’ as secure, full-time employment—at least for men and unmarried women—became the norm. The argument was that working-age social security benefits need not be generous because every able-bodied person who wanted a job would have one.

Chifley likened the male breadwinner to a trapeze artist whose performance is enhanced by the existence of the safety net below him. His metaphor makes clear that the function of the safety net is as much symbolic as practical:
The twentieth-century origins of Australia’s uneven social security system

The more competent the performer, the less the net will be used, but anyone who has ever seen an artist miss his [sic] hold knows what peace of mind the net means ... so it is with social security (Chifley 1945, p. 2).

Here social security provides ‘peace of mind’ rather than robust protection. It is conceived as a safety net to keep the breadwinner from outright destitution, an income of last resort to be made ‘available to all in their emergencies and below which none must be allowed to fall’. Crucially, Chifley’s metaphor takes for granted that if he does fall, the artist will have the option of picking himself up and resuming his performance. Labor’s safety net was likewise conceived as a temporary measure, complementary to, but not a substitute for, the maintenance of full employment. While some form of cash benefits would be essential for some ‘even at the best of times’, Chifley expected demand to depend on the failure or success of ‘the most positive task of providing full employment and rising standards of living’.

By the end of 1945 much of the legislation for post-war social reconstruction had been put in place. War had made the introduction of Child Endowment (not means-tested) by the Menzies UAP government in 1941, and the Widows’ Pension in 1943, matters of necessity. This legislation covered not only war widows, but all working-age women with dependants who had lost a male breadwinner, whether through death, desertion or detention in an insane asylum (Murphy 2011). The Unemployment and Sickness Benefits Act 1944 was passed to provide support for breadwinners temporarily out of work, and the Social Services Consolidation Act 1947 combined these with the Age, Invalid and Widows’ Pensions, Maternity Allowance and Child Endowment payments in one piece of legislation. Steps were taken towards equitable access to housing and health care. The Commonwealth funded the states to construct affordable public housing but attempts to introduce a national health service were eventually thwarted by resistance from the medical profession.

Upholding the work ethic: the unemployment benefit

The design of the Unemployment Benefit makes it clear that it was conceived as a temporary support. Both unemployment and sickness payments were subject to an income test, but assets were excluded so that workers need not exhaust their savings to qualify for support. The sickness benefit was set at a higher rate, indicating its legitimacy as form of income replacement, but the unemployment benefit was set well below the basic wage. The lower rate was ostensibly because a demand-led economy was supposed to make cyclical unemployment a thing of the past. ‘Unemployment will be negligible’ opined one Labor Minister; ‘full maintenance’ of the unemployed was ‘neither sensible nor logical’. Instead, the Unemployment Benefit should serve as ‘a piece of bridge-building’ to carry people over those gaps in employment ‘which must necessarily occur from time to time’ (Lewis 1975, p. 15).

But the effect of the lower benefit was to uphold the old distinction between the deserving and undeserving poor. Sickness was as likely as unemployment to be temporary, or applicants would be eligible for an Invalid Pension. The needs of both groups were comparable, but the rates deemed the unemployed less worthy of relief. Moreover, despite Labor’s assertion that it was an entitlement ‘earned’ by workers ‘by serving their country for years and by paying taxes’, eligibility depended on a ‘work test’ (Lewis 1975, p. 8). Applicants had to demonstrate that they were ‘capable and willing to undertake suitable work’ and had taken ‘reasonable steps’ to obtain it (Ey 2012, p. 11). Anybody deemed ‘voluntarily unemployed’ because they had left a position on their own account could have their benefits postponed.

The means test also undermined the claim that the Unemployment Benefit was a social entitlement for all citizens. If benefits were earned by paying tax, why were those who paid the most tax ineligible? The means test thereby allowed social security to be characterised by conservatives such as the UAP’s Eric Harrison as fundamentally unfair: a means of ‘fostering slackness and making the worker pay for the waster’, and an ‘encouragement to the thriftless at the expense of the thrifty’. As long as it remained the sole preserve of the working classes, unemployment benefit would be ‘purely and simply a dole’ (cited in Murphy 2011, p. 219).

Murphy (2011) observes that critics of Labor’s scheme welcomed the publication of the Beveridge Report in the United Kingdom and held up the British model of universal social insurance as a fairer alternative. Some in Labor disparaged Beveridge as beholden to special interests, but Chifley privately recognised the value of personal contributions, and even considered a social security levy which would have paved the way for the abolition of means-testing.
Menzies and the turn to middle-class welfare 1949–1972

The social security system built by Labor remained largely intact through the subsequent decades of Liberal–Country Party government. Despite their principled opposition to a non-contributory, means-tested system, neither Menzies nor his successors interfered with the existing safety net. In the volume she contributed to the Report of the Henderson Poverty Inquiry on behalf of the Australian Association of Social Workers, Margaret Lewis (1975) defined six fundamental principles which she felt underpinned the philosophy of social security during the decades of Liberal Country Party rule:

A. The right to be provided for by the community as a whole;
B. That the pension allow a modest standard of living;
C. That benefits be tied to need;
D. That social security encourage thrift and self-reliance;
E. Social security be provided within the resources available, with reforms made incrementally;
F. That the states continue to provide emergency relief.

(Lewis 1975, p. 6)

The persistence of stigma

The social policies of the Menzies era are regarded as most favourable to the middle classes, the ‘forgotten people’ whom the Liberal Party saw as their natural constituency (Mendes 2017, p. 25). The minor changes made to social security, such as liberalising the means test for the Age Pension, tended to extend eligibility for benefits up the income distribution. Rather than pare back the collective provision for social security, the Menzies government encouraged households to take responsibility for their own security through subsidies to purchase insurance privately (Carney & Hanks 1994). This strategy allowed Menzies’ middle-class base to pride themselves on being self-sufficient, while intimating that social security was the preserve of Labor voters and the poor.

The persistence of poverty

Partly for this reason, relying on social security continued to attract stigma, but during this period its shortcomings were largely concealed by full employment, underpinned by strong monetary policy, high tariffs to protect domestic industry and a tightly regulated labour market. As long as demand provided enough jobs, the breadwinner-acrobat of Chifley’s metaphor had no cause to test the safety net below him.

The rise in real wages during the 1950s and 60s also obscured the persistence of poverty for households without a male breadwinner. Social security payments were kept low, and their relative value declined as real wages rose, widening the gap between the living standards of those on benefits and those of the wider community: by 1971 the value of pensions had declined from a high of 23 per cent to 20 per cent of male total average weekly earnings (MTAWE), while unemployment and sickness benefits fell more steeply from 19 per cent, to 13 per cent (Murphy, personal correspondence). McClelland (2005) describes poverty during this period being conceived as ‘missing out’, and the impression of widespread prosperity perversely reinforced the belief that those still living poverty were responsible for their predicament. Lewis (1975) heard reports of demeaning treatment at the hands of Department of Social Services staff who felt that many applicants were simply work-shy and ought to be made to ‘feel the pinch’ (p. 16).

Households without access to a basic wage were particularly vulnerable. Research led by Ronald Henderson documented the extent of poverty in those households without a male breadwinner. Henderson’s initial poverty line was calculated as the basic wage, plus Child Endowment. Those whose income fell below this minimum were either incapable of work or disadvantaged within the labour market. This group included sole mothers, age and invalid pensioners, non–English speaking migrants, rural labourers—whose employment was often seasonal—and Aboriginal and Torres Strait Islander people (Henderson, Harcourt & Harper 1970).
The social policy ambitions of the Whitlam Labor government marked a dramatic departure from the more modest approach maintained by successive conservative governments. The Whitlam program has been described as ‘the first substantial exercise of social democracy’ in Australia (Macintyre 1986, p. 13) and no government since has come as close to shifting the character of our social security system from one based on deservingness to a universal system based on need (Mendes 2017).

Labor’s proposed overhaul of social security was only one component of a broader redistributive agenda but was nonetheless central to Whitlam’s vision for national transformation. One of the government’s first initiatives was to appoint a Social Welfare Commission to guide reform. The commission stressed the importance of universal social services as a means of lifting living standards and redistributing resources. On this basis, Labor invested in universal public health services, the expansion of social housing and the abolition of fees for tertiary education, all of which were framed as a supplement to the basic wage (Mendes 2017). Plans were also drawn up to expand the safety net through superannuation, a national accident insurance scheme and a guaranteed minimum income (Regan & Stanton 2018).

### Universalism as economic justice

The Whitlam government was open about its ambition to transform the character of social security. In a landmark speech at Fitzroy Town Hall, the Social Security Minister Bill Hayden asserted that social security was a precondition for economic justice and equality of opportunity, and for continued prosperity: No developed nation could ‘afford such neglect’ of its citizens’ potential. A prosperous Commonwealth was one in which wealth and opportunity were truly shared.

Hayden set out the government’s commitment to: **the creation of a system of welfare services and benefits which is not class tainted and whose provisions are not stigmatised as charitable concessions to the ‘deserving poor’. In pursuit of this great objective we seek to establish the rational use of the community’s resources towards a life style [sic] which allows the fulfilment of the best aspirations of all Australians (Hayden 1974).**

A central theme was the need for receipt of benefits to shed the stigma associated with charity. This stigma was a concern for policymakers across the political spectrum. For conservatives the solution was for citizens to contribute to their own support; for the Labor Party of Curtin and Chifley the answer had been to make social security a mechanism for the redistribution of wealth. Both approaches reinforced a degree of ‘stratification’ (Esping-Andersen 1990): national insurance by reinforcing the class distinction between strata of claimants; social security by dividing taxpayers along class lines into those eligible for assistance, and those who contributed but received no direct personal benefit. The Whitlam government set out to remove these class-based distinctions as well as the distinction between categories of payments.

One of the Whitlam government’s earliest reforms raised unemployment benefits to the same rate as pensions on the basis that common levels of need deserved common benefits (Lewis 1975). The removal of the distinction between benefits and pensions reflected Labor’s commitment to the principles of equity and adequacy. Explaining the change, Hayden reiterated the government’s ‘belief in the supreme importance of human worth’ (Lewis, p. 17). A lower rate was inconsistent with this belief because it devalued the dignity of the unemployed person. The Opposition thought the measure showed ‘a reckless disregard for taxpayers’ funds’ but Hayden was confident that the work test would weed out the genuinely ‘work-shy’, signalling that Labor remained committed to the principle of self-reliance.

The shift towards universalism was also reflected in the broadening of eligibility for some payments. Views on the assets-testing of pensions initially followed party lines, though with the positions taken in 1944 reversed: most Liberal–Country Party MPs supported some form of means-testing, while most of the ALP favoured abolition. Liberal policy generally opposed broader eligibility for benefits, but the Gorton government had already softened the assets test for the age pension in 1969, and the McMahon government went to the 1972 election promising to remove it altogether for those over 75 (Carney & Hanks). Labor initially committed to abolish the means test entirely, but in its last months in power removed the test for people over 70, and with it the stipulation for pensioners to be ‘of good character’ (Daniels 2011, p. 9).

In April 1974 Hayden restated Labor’s election commitment to waive the means test entirely, citing the advice of the Henderson Poverty Inquiry (Canberra Times, 3 April 1974). Three weeks later the Liberal and National Parties matched this pledge, with the proviso that the increase in expenditure would not take place until inflation had been contained (Canberra Times, 22 April 1974). But means testing retained some support among progressives. The radical Labor MP Jim Cairns favoured assets-testing on the grounds that ‘the principle of need’ ought to take precedence over...
Radical universalism, 1972–75 continued

the abstract claim of equal entitlement to benefits, and the Brotherhood of St Laurence agreed (Lewis 1975, p. 25; Canberra Times, 15 March 1974). Moreover, it was felt that the blanket removal of the assets test would have weakened the redistributive character of the Australian social security system. In any case, by 1975 global economic conditions were no longer favourable to unfunded expenditure and the Whitlam government had already begun to retreat from plans to further liberalise eligibility (Shaver 1984).

The Henderson Poverty Inquiry

Further reform of social security was put off pending the report of the Commission of Inquiry into Poverty chaired by Professor Ronald Henderson. The First Main report was published in August 1975, but the dismissal of the Labor government in November and the ensuing election of a Coalition government meant that it was left up to Whitlam’s successors to implement Henderson’s recommendations as they saw fit.

While Henderson’s proposal for a Guaranteed Minimum Income may have been ‘dead in the water’, Saunders (1998, 2019) argues that the Inquiry exercised considerable influence on the direction of subsequent reforms. Later reviews have also picked up on endemic problems identified by Henderson, particularly the complexity of the system, the differential treatment of categories of recipient, the duplication of effort between the taxation and social security systems, and the interface between social security and employment (Regan & Stanton 2018, 2019).

Although there have been many reviews, Henderson’s is the only report of its kind, before or since, to consider the redesign of social security from a first principle of need. Subsequent reviews have sought to balance need with other principles—for example, encouraging self-sufficiency and labour market participation, or containing costs—but in the end have prioritised economic motives over social ones. With some exceptions, reforms have tended to magnify the problems highlighted by Henderson: arbitrary distinctions between different categories of payment have become more pronounced, and in many cases, more unfair; payment rates have sunk further below the poverty line as the cost of housing has risen; and the unchecked proliferation of concessions has further reduced the progressive character of the taxation system, and hampered governments’ willingness to invest in social security.

Despite the very different social, political and economic landscape, Henderson’s critique retains much of its power, and his recommendations continue to offer some guidance as to how the Australian social security system might be made fairer.

Poverty, policy and the male-breadwinner wage

In drawing attention to the structural determinants of poverty, Henderson restated the rationale for government to intervene to protect citizens from social and economic forces beyond their control. But his report did more than expose the shortcomings of social security; it also drew attention to how the ingrained bias of Australia’s policy architecture towards the male-breadwinner or family wage contributed to the incidence of poverty.

Henderson’s national survey confirmed that ‘a substantial number of people’ in Australia were living below ‘an austere poverty line’, but he was most disturbed by the revelation that of the quarter of a million dependent children living in poverty, many lived in two-parent families with a father in full-time employment (Commission of Inquiry into Poverty 1975, p. 1). This fact confirmed his belief that poverty was ‘not just a personal attribute’ but a phenomenon arising ‘out of the organisation of society’ which had ‘failed to adapt’ to shifting demographics and changing labour market demand.

Henderson was particularly critical of the failure of society to accommodate women’s growing aspiration for economic independence. He identified the male-breadwinner wage, for so long the central pillar of Australian welfare policy, as a structural determinant of women’s economic insecurity. The dominance of this paradigm in Australia’s policy settings was underpinned by the systemic exclusion of women from policymaking. A ‘conscious effort’ was now required for policymakers to reformulate economic and social policies to take account of the needs of female breadwinners and their dependants.

Three principles: recognition, redistribution and need

It has become usual for reviews of social security to begin by clarifying the principles that have informed their inquiry, but Henderson’s report was the first to do this. Henderson’s ‘three important principles’ recalled both the Harvester Judgement and Chifley’s safety net, but in asserting the primacy of need, his argument differed from Hayden’s

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1 Because the work of the Commission of Inquiry into Poverty was so closely identified with its chair, in this section we have referred to Henderson rather than to the Commission in reporting its key messages. Page numbers in this section refer to the main report.
appeal to universal entitlement. Nonetheless, in
underscoring the redistribution of power as well as
resources, the second principle spoke to the government’s
enthusiasm for an active and engaged citizenry.

The emphasis on dignity and respect also reflected the
emergence by the mid-1970s of what Fraser and Honneth
(2003) have described as the ‘politics of recognition’. Curtin
and Chifley had stated that support ought to be free of
stigma, but the conditions of eligibility—particularly those
of the work test—tended to reinforce it. Moreover, by
approving special consideration and positive discrimination
for disadvantaged groups, including First Nations people
and recent migrants, and the importance of devolving
power as well as resources, the Henderson report’s
principles anticipate Fraser’s insistence that justice requires
both recognition and redistribution:

1. Every person has the right to a basic level of security
   and wellbeing; and all government action should
   respect the independence, dignity and worth of every
   individual;

2. Every person should have equal opportunity for
   personal development and participation in the
   community; to achieve this government intervention
   will be required not only to redistribute income but
   also to ensure a fair distribution of services and
   power to make decisions. Special consideration for
   disadvantaged groups, positive discrimination and
devolution of power will be necessary;

3. The third principle is that need, and degree of need,
   should be the primary test by which the help given to
   a person, group or community should be determined.
   (Commission of Inquiry into Poverty 1975, p. 2)

**Need versus equal citizenship: Henderson’s
recommendations**

Henderson’s recommendations acknowledged the tension
between the principle of need and the principle of equal
access. This tension was not new: in the 1940s the principle
of need had prevailed over entitlement, but the narrow
targeting of resources to the poorest had reproduced the
stigma attached to charity. Now Henderson sought to
achieve a balance: need would take precedence, but
wherever feasible, eligibility criteria would be rationalised
to make the system fairer.

The immediate priority was to raise all social security
payments above the poverty line, and Henderson believed
there was much that could be done, ‘and should be done
promptly’ within the existing system. Henderson set his
poverty line—the threshold weekly income beneath which
a household was defined as being in poverty—as the basic
wage, plus child endowment for two children. An adequate
income was ‘fundamental to a person’s security, well-being
and independence’. Henderson understood that access to
resources, as well as ‘allowing freedom of choice and
freedom to participate’, also expanded ‘the extent of
opportunities available’. To this end he proposed that both
pensions and benefits be immediately raised above the
poverty line and indexed to a measure such as average
earnings.

Henderson recognised that higher payments would not
provide effective protection from poverty unless people had
the capacity to manage their finances. Government
therefore had a responsibility to help people increase their
financial literacy, particularly responsible management of
credit. Inability to access credit on reasonable terms
contributed to poverty, while ignorance about how interest
accumulated led to financial disaster and family breakdown.
Henderson proposed that government ought to mitigate the
risks associated with borrowing by offering fair loans,
discretionary capital grants and emergency cash payments
for families in crisis.

Need took precedence, but equity mattered too. The
question of means-testing brought the tension between
them to the fore. While funds remained limited, fairness
dictated that resources must be targeted to those who need
them. Henderson recommended the removal of the assets
test, with the proviso that capital gains would be treated as
income. He also recommended that the income test be
relaxed to allow people to undertake some paid work
without losing access to benefits. Support would continue
to be targeted, but the income test would filter out those
able to live off investments.

Henderson was clear that these changes would raise costs
for government, but he recognised that increasing income
tax was less feasible in 1975 than it had been in 1945.
Moreover, the raft of concessions and exemptions
introduced since then had badly ‘blunted’ the progressive
design of income taxation as a tool for redistribution.
Instead, Henderson proposed that the government tax
wealth. Wealth taxes had the combined advantage of
lessening the tax burden on low-income households and
minimising the impact on demand. As revenues from wealth
increased in line with GDP, he recommended that a
‘substantial proportion’ of gains be garnisheed to fund
increased expenditure on income support and social
services. Sound monetary policy was also key: inflation
eroded the disposable incomes of the poor faster than
those of the wealthy and had to be kept below 10 per cent a
year. Wage growth would also need to be kept in check.
Radical universalism, 1972–75
continued

The myth of the wage-earners’ welfare state
As he stated at the start of his report, Henderson was
adamant that poverty was ‘not just a personal attribute’ but
a phenomenon arising ‘out of the organisation of a society’
that had ‘failed to adapt’ to shifting demographics and the
changing patterns of labour market demand.

The Henderson report’s findings exploded the myth
that Australia’s distinctive wage system justified an
underdeveloped social security system. Countless gaps
in the arbitration system meant that even having a male
breadwinner in full-time employment could fail to insulate
a family against poverty.

Henderson also drew attention to how the ingrained bias
of Australia’s policy architecture towards the male-
breadwinner wage in fact contributed to the incidence
of poverty in households headed by women.

A moderately radical alternative: a guaranteed
minimum income
Henderson hoped that his proposed changes would
greatly reduce the incidence of poverty and make the
administration of social security fairer. But he also
believed there was ‘a limit to the improvements that
could be managed within the present system’ (p. 67).
He acknowledged the strengths of the Australian system
in the early 1970s: the targeting of resources to those most
in need, broad coverage of all groups most vulnerable
to poverty, and the pension rate at least comparable
with similar nations. But these could not make up for
its shortcomings.

The proposal for a guaranteed minimum income reflected
contemporary international interest in basic income
schemes as a solution to poverty. But the design Henderson
recommended was calibrated to address what he saw as
systemic weaknesses in existing Australian provisions:
firstly, the structural inequality between different categories
of payment, as well as within categories, which bore no
relation to need; and secondly, the inefficient division of the
apparatus of redistribution into distinct taxation and social
security systems. In combination these flaws caused
‘poverty traps’, created confusion among people as to their
entitlements, and contributed to the ‘social segregation’ of
citizens by income, with the social security system
stigmatised as catering only to the poor. Henderson hoped
that the introduction of a guaranteed minimum income
would allow social security to finally shed this stigma.

Henderson’s guaranteed minimum income was premised
on unifying the tax and social security systems. This was a
practical measure, but it was also intended to emphasise
that ‘the right to a minimum income and the obligation
to pay taxes’ were ‘two sides of the same coin’ (p. 70). The
basic design involved ‘regular payments to all citizens [sic]’
called minimum income payments, and a proportional
income tax. People would receive a base payment set at
around 60 per cent of the poverty line, or 106 per cent if
they were unable to work. However, people with higher
private incomes would be taxed at a proportionally higher
rate. The effect would be to avoid ‘lavishing benefits on the
well-to-do’ while also doing away with means-testing (p. 74).

The design of Henderson’s scheme matters less here than
what he believed the reconfiguration of social security would
accomplish. He saw a guaranteed minimum income as ‘the
best way of reconciling the conflicting ends of policy on
income support’ (p. 86). It would provide security of income
to protect people from poverty, but also preserve the incentive
for people to gain employment. Furthermore, it would do so
in such a way as to remove the distinction between the eligible
and the illegible, the deserving and the undeserving, the
taxpayer and the welfare claimant, ‘so that income support
may be seen as a right rather than a favour’ (p. 86).
The mid-1970s mark a turning point: up to this date the development of social security might have been characterised as one of incremental expansion. After it, the evolution shifts direction, with reform increasingly centred on the rolling-back of entitlements via the exacting recalibration of eligibility and compliance requirements.

The continuity of reform since the 1970s reflects the ascendancy of neoclassical economics in influencing politics. A period of prolonged economic malaise led many governments to embrace the prescriptions expounded by Milton Friedman and other devotees of the neoclassical economist Friedrich Hayek. Just as nineteenth-century economists like Adam Smith and David Ricardo had once railed against the old parish relief system as an unwelcome intrusion into the operation of the labour market, Hayek believed that government intervention distorted the optimal functioning of free markets, and was therefore a passionate critic of the Keynesian economic model, and of welfare in general.

Modern-day liberals—or ‘neoliberals’—like Friedman argued that the combination of the stagnant growth and runaway inflation that plagued developed economies was caused by excessive government investment. Future economic growth required a smaller public sector, and governments were advised to reduce social expenditure and promote private investment by lowering taxes. Social security was viewed as particularly problematic because it might inflate wages, even if in Australia arbitration determined the movement of wages.

**The social impact of deregulation**

Economic reform has exposed households to far higher risks than were usual in the post-war era (Banks & Bowman 2017). The dismantling of the arbitration system and the curtailing of industrial action have eroded the traditional foundations of social protection at a time when the lifting of restrictions on the movement of goods and capital into Australia has radically altered the labour market (Campbell & Brosnan 1999). As the share of profits distributed as wages has declined (Buchanan 2014), the disappearance of full-time jobs in manufacturing and the creation of part-time and casual roles in the service economy has made employment both more precarious and less profitable for low-paid workers (Jackson 1996; Masterman-Smith & Pocock 2008). Over the same period, the incidence of underemployment, measured as the percentage of part-time workers who want to work more hours, has risen steadily (Wilkins & Lass 2018, p. 62), reaching 131% in May 2020 (ABS 2020a).

One consequence has been an increase in the incidence and severity of income volatility. Fluctuating incomes make it difficult for households to budget or save and leave them vulnerable to normal shocks, such as one earner falling ill or having to repair a car (Morduch & Schneider 2017; Morris et al. 2015). Increasingly households have turned to credit as a means of making up the shortfall between wages and expenses. Since the late 1980s household debt has risen inexorably as a proportion of income, driven primarily by the increased cost of housing relative to wages, itself a market distortion fuelled by an overabundance of free-flowing credit and tax concessions for property investors (Madden & Marcuse 2016).

Many households now rely on financial products such as credit cards as a means of smoothing expenditure and making private provision for risk. Credit compensates for a precarious labour market and helps maintain an illusion of economic security, but it also further embeds the household unit in the financial system. The penetration of finance capital into Australian households is but one facet of a phenomenon called ‘financialisation’ (Harvey 2005) which has driven the reorganisation of the global economy, supplanting the Fordist model of accumulation, based on manufacturing and trade, with a neoliberal model based on speculative financial activity. Since it elevates the influence of finance capital above the concerns of the ‘real’ economy, Stockhammer (2010) holds financialisation responsible for the elevation of economic motives above social needs in a way that undermines social cohesion. This is seen, for example, in the pressure on businesses to prioritise shareholder dividends ahead of the common good, or the influence of corporate interests on governments which has led to the dilution of protective regulation and to reduced revenues.

Under financialisation the household is no longer a ‘pass-through mechanism for flows of goods and services in the macro-economy’ but ‘a site of value creation in its own right’ (Montgomerie & Tepe-Belfrage 2016, p. 4). As households have come to rely on debt as a means of managing risk, they have come to underwrite the normal functioning of the broader financialised economy (IMF 2005). Most obviously superannuation and mortgage repayments, but also payments on car loans, student debts, utility bills and insurance premiums, are packaged and traded globally as ‘asset-backed securities’ (Bryan, Rafferty & Jefferis 2016, p. 320). In turn the dependence of the financial system on the resale of household debt continues to pose a major risk, as was shown in 2008, when an increase in the number of households defaulting on their mortgages triggered a global recession, the ramifications of which have reshaped the geopolitical world order. The current economic crisis has so far increased the ratio of household debt to wealth as average household incomes have fallen (ABS 2020b).
Deregulation, activation and the reintroduction of risk, 1976–1996
continued

The impact on social security policy

The deregulation of the labour market is one part of the explanation for why our social security system has become unfit for purpose. The other part is that the principles underpinning the system have themselves been rewritten to prioritise ideology at the expense of social protection.

Firstly, reforms have intensified the pressure on individual working-age beneficiaries to disengage from the social security system, regardless of continuing need. These include disincentives to access, or continue to receive, income support payments. Meanwhile the real value of benefits has been allowed to decline relative to pensions and the minimum wage, placing the income of eligible beneficiaries well beneath the poverty line. This trend is explored in the section directly below and continues in Chapter 6.

Secondly, reforms have redesigned eligibility criteria to target payments to those considered most deserving of support, while simultaneously cutting off or reducing access for those regarded as having some capacity for work. This process has largely been enacted through the gradual recategorisation of groups once considered ‘deserving’ of help, as responsible for their own economic security. This trend is explored more extensively in Chapter 7.

Both trends were already in train by 1980, became more pronounced during the Hawke–Keating era, accelerated again under the Howard government, withstood an interval of Labor rule, and continued unchecked up to the present crisis.

Adaptation to labour market deregulation

By the end of the 1970s the era of full employment was over. An ‘acceptable level of unemployment’ was considered necessary to contain inflation; and both the number of people unemployed and the duration of unemployment increased, putting pressure on the existing benefits system. Whereas any increase in unemployment had since the war been considered electoral poison and proof of poor economic management, the Fraser government overturned this orthodoxy by reviving the claim that many of the unemployed were ‘dole bludgers’ taking advantage of a generous benefit system to avoid hard work (Marston & McDonald 2007, p. 235).

Satisfying the ‘work test’ became increasingly onerous. The definition of ‘suitable work’ was broadened: applicants had to demonstrate willingness to move locality or take work at a lower skill or pay level. Commonwealth Employment Service (CES) staff were enlisted to discipline refractory claimants. Penalties were introduced for refusing to cooperate, for disrespectful conduct and for wearing inappropriate dress to job interviews (Harding 1985). Waiting periods for benefits were extended. Automatic indexation of unemployment benefits ceased, and benefit income became taxable. In 1979 the work test was adjusted to include casual or part-time jobs, effectively ending the formal entitlement to full-time employment (Carney & Hanks 1994).

In 1983 Labor was elected on a promise to address public concern about stagnant growth and declining living standards and embarked on a series of reforms to liberalise the Australian economy. This program included floating the dollar on the global currency market and dismantling the tariff wall put in place at Federation. Helped by the low dollar, foreign capital flowed in and the Australian economy began to grow. Between 1982 and 1990 the size of the workforce increased by 22 per cent. However, many of the jobs created were casual or part-time. While ‘standard’ or permanent full-time employment grew 14.5 per cent, the number of casual employees nearly doubled, as employers restructured their workforce to exploit gaps in the award system (Campbell & Brosnan 1999, p. 361).

Another plank of Labor’s election platform was a commitment to bring inflation under control by moderating wages growth. But whereas the Fraser government had struggled to contain the demands of a combative trade union movement, a Labor government—headed by former ACTU president Bob Hawke—was ideally placed to broker a truce (Humphrys & Cahill 2017). The ‘Prices and Incomes Accord’ was based on a formal agreement between the ALP, employer groups and the Australian Council of Trade Unions. The unions agreed to a slowdown in wages growth in return for an increase in the social wage, namely through Medicare, the expansion of family benefits and superannuation, a process characterised by Castles as the ‘refurbishing of the wage earners’ welfare state’ (1994, p. 133).

This consensus, brokered by a reforming centrist government, meant that Australians avoided the extremes endured by their peers under Thatcher and Reagan and, even today, remain better off than low-waged employees in both the UK and the US (Bongiorno 2015). However, even though the boost to social spending benefited many low-income families, the Accord considerably altered the terms of the Australian settlement and diluted the power of the arbitration system to adjust wages in line with inflation.

Although deregulation had stimulated growth, unemployment, particularly long-term unemployment remained historically high. The Social Security Minister, Brian Howe, felt strongly that the government ought to do more to help people return to the workforce. Howe first encountered the concept of the ‘active society’ as it had...
been applied in Scandinavian social policy (Bonoli 2010). The Nordic version of active labour market policies emphasised the obligations of the state far more than the US version which stressed personal responsibility. Howe believed that it offered a way to adapt the Australian social security system to the labour needs of the newly deregulated economy and commissioned sociologist and social policy scholar Bettina Cass to develop a case for reform.

The Cass Review and the active society

The Cass Review is credited with focusing attention on the need for governments to facilitate the re-entry of social security recipients into the labour market, particularly people with disabilities, sole parents and the long-term unemployed (Herscovitch & Stanton 2008). In this regard the Review, perhaps unintentionally, laid the foundations for the sharp turn towards behavioural conditionality that came later. But as an attempt to reconcile the Australian social security system with rapidly changing labour market conditions it can also be read as a blueprint for an Australian version of ‘flexicurity’.

Issues Paper 4 of the review set out five principles on which Cass believed reform should be based:

1. continuation of a universal, publicly funded, means-tested system
2. protection against poverty (i.e. adequacy)
3. equity of treatment for disadvantaged groups
4. an active structure of incentives and assistance for the unemployed to find employment and/or improve their job prospects
5. closer integration of the income support system with labour market programs and services at key stages of unemployment (Cass 1988).

The first three principles reiterated those set out by Henderson a decade earlier, particularly the need for equitable treatment for disadvantaged groups. Several of the recommendations made by Cass also echoed Henderson, such as the need for indexing to reflect rising costs, increases to rental assistance and restoring parity between pensions and benefits. But whereas Henderson gave precedence to need as the principal criterion for support, Cass emphasised the need for social security to actively expand people’s capacity.

Cass recast the post-war social contract as a ‘reciprocal obligation’ which extended the responsibilities of both parties. Governments were required to do more than just pay out unemployment benefits; they were duty-bound to provide programs to support the transition back to work. On the other side, there was an expectation for citizens to take advantage of the training opportunities offered. The neglect of the long-term unemployed, particularly older workers made redundant by the restructuring of the Australian economy, was cast as a denial of their right to work (Carney & Hanks 1994). Cass recommended closer integration of the social security system with education and active labour market programs: people who had been unemployed for longer than a year would be subject to an ‘activity test’ obliging them to participate in appropriate retraining or work-related experience. In return, the government would strengthen both the social safety net and the wages system to ensure an equitable labour market (Cass & McClelland 1989).

Labor’s activation agenda

By 1990, however, active labour market policies had been largely captured by proponents of welfare reform. The OECD was advising governments to tackle unemployment by way of ‘fundamental changes in the institutions, attitudes and rules and regulations’ that governed local labour markets (Weatherley 1994, p. 157). Deregulation would lead to lower wages, bigger profits and eventually, more jobs. But the shift from a protected, managed economy to a nominally free market changed the role of the state. Active labour market policies were recast as a means of breaking ‘dependency cycles’ and promoting ‘a spirit of active job search’ (OECD 1990, pp. 3, 8).

By 1991 Australia was back in recession. Soaring unemployment refocused energy on social security reform but the measures contained in the Social Security Act 1991 more closely resembled the OECD’s notion of activation than the social democratic version. Though no-one in government disputed that unemployment was due to a collapse in demand for labour, the Act dealt exclusively with supply-side issues. The language of ‘reciprocal obligation’ used by Cass was deployed as a rationale for a renewed emphasis on compliance, but less stress was laid on the obligations of government to the unemployed. Benefits were made conditional on participation in job-search activities, but without much new investment in active labour market programs; and questions of adequacy and equity were sidestepped entirely.

Under the Active Employment Strategy (AES) which accompanied these changes, unemployment benefits were split into two payments: Job Search Allowance, for claims of up to a year, and Newstart, for those classed as long-term claimants. Both payments hinged on being unemployed and
demonstrating one’s commitment to seek paid employment, plus compliance with an ‘activity test’ or ‘activity agreement’ to develop their job readiness. The complexity of the new requirements, together with the rapid proliferation of non-standard employment, created new challenges for administrators: Commonwealth Employment Service staff were given considerable discretion to relax or tighten compliance requirements, to judge what constituted evidence of reasonable effort and what amounted to a ‘breach’ (Carney & Hanks 1994).

Cass (1994) later admitted disappointment that Labor’s reforms increased the activity obligations for unemployed people but did not develop the range of programs, or the equitable labour market conditions, that were supposed to help them transition into regular employment. The activation principle nonetheless led to programs such as the original Newstart, which aimed to improve the job prospects of the long-term unemployed, and Jobs, Education and Training (JET) which provided training and job placements, and subsidised childcare, for sole parents (Mendes 2017). Youth unemployment—the proportion of people aged 15 to 24 in full-time work—fell steeply in the decade to 1998 as entry-level jobs disappeared and was reframed as a question of access to skills and training (Cuervo & Wyn 2011, p. 3). Labor also passed the Disability Services Act 1986 to help people with disabilities compete in the mainstream labour market, though its implementation was stymied by a backlash from the proprietors of sheltered workshops. However, in focusing on individual-level, supply-side barriers to employment, none of these programs dealt with the structural barriers encountered by some groups, or the underlying problem of ‘insufficient aggregate demand’ (Sheen & Trethewey 1991).

By 1993 the Australian economy had begun to recover, but new growth did not bring about an expected fall in unemployment. Those left unemployed were the casualties of adjustment to a deregulated economy: the former employees of ailing manufacturing firms killed off by the recession, or school leavers stranded by the disappearance of entry-level roles. In 1994 the Keating government partially addressed these demand-side barriers (McNeill 1995): Working Nation promised six months of minimum-wage public-sector employment to anyone still out of work after 18 months but made no commitment to long-term job creation or labour market stimulus; and this last, rather half-hearted gesture towards full employment was defunded two years later when the Coalition came to power.
Coalition stewardship of social security continued the activation agenda begun by Labor, but it also precipitated a hardening of attitudes to unemployment. Mendes (2017) describes a coordinated and well-funded campaign to overturn the social-liberal hegemony that had dominated Australian social policy since Federation. He argues that this shift entailed the capture of the Liberal Party leadership and the demotion of social liberals within its hierarchy, as well as a sustained critique of social democracy by new think tanks like the Institute of Public Affairs (IPA) and the Centre for Independent Studies (CIS).

Welfare dependency and the moral underclass

Late twentieth century critics of social security reanimated nineteenth century arguments about the dangers of poverty relief and the need to distinguish between the deserving and undeserving poor.

Whereas Labor had initially modelled its active labour market policies on those of Scandinavian social democracies, the Coalition looked to the US, where the discussion was dominated by thinkers aligned with the New Right. US sociologist Charles Murray claimed that ‘welfare’ created perverse incentives that weakened traditional morality and undermined the work ethic. Lawrence Mead argued that while unconditional cash transfers alleviated poverty in the short term, they did nothing to improve people’s long-term prospects and, by teaching them to rely on government support, inadvertently caused a phenomenon he termed ‘welfare dependency’.

Mead proposed that governments ‘couple’ benefits with ‘serious work and other obligations’—a contractual relationship he termed ‘mutual obligation’—that would help people develop functional work habits and so facilitate their integration, first into employment and then into mainstream society. ‘Welfare to work’, as it came to be known, presented a practical means of countering the moral hazards of welfare while continuing some support to vulnerable families. Mead’s prescription was integrated into the 1996 Personal Responsibility and Work Opportunity Act which effectively ended entitlement to cash assistance in the US (Deacon 2005).

Mendes (2017) identifies two core beliefs underpinning Coalition arguments for welfare reform which reflected the ideas of Mead and Murray. The first is that government spending on cash transfers is counterproductive because it entrenches intergenerational welfare dependency. By contrast, moving people off welfare and into work will help them take responsibility for their own wellbeing. What is sometimes described as ‘compassionate conservatism’ hinges on Mead’s reframing of passive welfare as a form of cruelty, and mutual obligation as tough love: ‘Putting people on benefits and leaving them there’ is therefore ‘not compassion’ but ‘cruelty, masquerading as kindness’ (Mead cited in Mendes, p. 167).

The second belief, which owes more to Murray, manifests in what Levitas (2005) has termed a ‘moral underclass discourse’. In this narrative, the long-term unemployed are ‘dole bludgers’ and do not deserve government support, either because their claims are fraudulent, their behaviour is criminal or immoral, or their unemployment is in some way voluntary—that is, they are ‘job snobs’ who prefer not to take physically demanding or low-status employment. This view is seen in then Minister for Workforce Participation Peter Dutton’s assertion that the long-term underemployed have ‘no work ethic’ and view being on welfare as ‘a way of life’ (Mendes 2017, p. 166). In the context of welfare conditionality, a moral underclass discourse is deployed to reverse the ‘presumption of reasonableness’ (Eriksen 2019, p. 7) normally extended to adult citizens, and to legitimise levels of surveillance that would usually be considered intrusive—for example, compulsory income management or the proposal for mandatory drug-testing.

Targeted conditionality: reforms after 1996

While social security necessarily has legal and administrative requirements, the concept of ‘welfare conditionality’ that became prominent in the 1990s marks a shift from a system focused on insulating people from poverty, to one ‘intent on converting the benefits system into a lever for changing behaviour’ (Watts & Fitzpatrick 2018, p. 1). Although they built on the activation policies set down by Labor, the reforms begun by the Howard government saw the deepening and broadening of conditionality, both in the range of groups targeted and the severity of penalties for non-compliance.

Mutual obligation and the return of work for the dole

One of the first actions of the new government was to announce the introduction of compulsory work programs for young people who had been unemployed for longer than six months. The reintroduction of work for the dole had been a fixture of the Liberal Party policy platform since 1986, and although the new program was initially rebranded as ‘Mutual Obligation’—a twist on Labor’s ‘reciprocal obligation’—in colloquial usage it was soon known by its original Depression-era moniker, conveying the nostalgia of some in the Coalition for an era before the safety net.
Thereafter the term ‘mutual obligation’ came to be used more loosely to describe the overarching framework of mandatory compliance. The work for the dole scheme initially targeted those aged 18 to 24 but was soon expanded to include early school leavers (Yeend 2004). Since 2000, mutual obligation requirements have progressively widened to encompass all recipients of working-age payments who do not hold a valid exemption, though the hours of approved activity required are lower for older jobseekers (Australian Government 2020).

Proponents of work for the dole represented the scheme as an opportunity for young people to ‘give something back’. Since the community was ‘willing to financially support young people while they look for work’ it was only fair that those receiving support should work on projects to benefit their communities (Bessant 2000, p. 5). Furthermore, it was claimed that mutual obligation would help participants gain experience, skills and good work habits that would improve their employability. Subsequent studies of ‘work for the dole’ have found insufficient evidence of a positive effect on employment outcomes and suggest that participation may even create a ‘lock-in’ effect by reducing the time available for job search and other self-directed activities that may enhance employability (Borland & Tseng 2011; Borland 2014). The claim that mutual obligation helps motivate people to find work also remains unproven (Carson et al. 2003), whereas there is evidence that the compulsory nature of work for the dole programs is felt as stigmatising, can compound mental distress and overall weakens young people’s sense of agency (Warburton & Smith 2003).

Combating welfare dependency, not poverty: the first McClure Review

The reframing of social security, from a system nominally geared to provide social protection to one configured to reinforce the work ethic, was made explicit in the sidelining of the term ‘social security’ in favour of the term ‘welfare’, imported with all its pejorative connotations, from the US (Mendes 2000). The shift was evident in the principles set by the former Minister for Social Security, Jocelyn Newman, now Minister for Family and Community Services, to guide the Welfare Reform Reference Group:

- Maintain equity, simplicity, transparency and sustainability;
- Establish better incentives for people receiving social security payments, so that work, education and training are rewarded;
- Create greater opportunities for people to increase self-reliance and capacity-building, rather than merely providing a passive safety net;
- Expect people on income support to help themselves and contribute to society through increased social and economic participation in a framework of Mutual Obligation;
- Provide choices and support for individuals and families with more tailored assistance that focuses on prevention and early intervention; and finally
- Maintain the Government’s disciplined approach to fiscal policy (Newman 1999b, p. 3).

The adequacy of payments—and their role in alleviating poverty—was conspicuously absent. Elsewhere the minister made it clear that the goal of reform was to reduce welfare dependency among people of working age (Newman 1999a). Her choice of language demonstrated the government’s debt to Mead’s ideas, and the following year Mead himself was brought to Australia to help sell the proposed extension of mutual obligation to the voting public (Mead 2000).

In their interim report the Reference Group on Welfare Reform (2000b) acknowledged that the increase in long-term unemployment among older people and school leavers was due to structural factors, particularly the contraction of some local labour markets caused by economic reform. New jobs had been created, but opportunities were unevenly distributed. They also recognised the systemic barriers that made it harder for some groups to secure suitable employment (Reference Group on Welfare Reform 2000a). However, the Group’s proposals for lifting participation did not address the structural drivers of unemployment, resting instead on changing individual behaviour through the expansion of mutual obligation to other groups of beneficiaries and additional employment support for the most disadvantaged jobseekers.

Did Australia’s welfare-to-work policies work?

Reforms to social security during the Howard era formed one half of a broader reform agenda aimed at weakening the social protections afforded by the remnants of the wage earners’ welfare state (Carney 2006). Reforms enacted during its first term significantly diluted union power and weakened collective bargaining, but more radical change was curtailed by the opposition of the Australian Democrats in the Senate. Not until its fourth and final term in government was the Coalition able to realise its vision for the wholesale deregulation of Australian workplaces.

Soon after gaining the balance of power in the 2006 election, the government passed the Workplace Relations Amendment (Work Choices) Act 2005, followed the next year by the Welfare to Work Act 2005. Both pieces of legislation
weakened existing protections: WorkChoices by making it easier for employers to dismiss employees and modify workplace agreements to reduce entitlements; Welfare to Work by substantially restricting access to pensions for sole parents and people with disability. Beneficiaries assessed as capable of part-time employment were now to receive the much lower Newstart Allowance and be made subject to mutual obligation requirements (Carney 2008).

The premise of welfare-to-work policies is that attaching activity requirements to social security reduces the length of time people spend on benefits because it helps motivate them to find work. Evidence on the effectiveness of Australian reforms is contested. Declining rates of unemployment, particularly long-term unemployment, from the mid-2000s, appear to demonstrate the effectiveness of welfare-to-work policies in getting people back to work. However, there is no clear indication that these outcomes were due to policy change. Davidson (2011, p. 72) finds that the improvement in employment rates during this time is consistent with other OECD countries and most likely due to stronger economic growth overall. Fowkes (2011) also concludes that the higher number of successful job placements ‘would have happened anyway’ because of higher demand for even minimally skilled labour (pp. 9–10). Morris and Wilson (2014) point out that employment outcomes deteriorated again after the global financial crisis (p. 207). They cite the 2012 Senate Inquiry which found that only 21 per cent of Newstart recipients found full-time work within three months, with another 27 per cent working in suboptimal or precarious part-time work. The remainder either remained on Newstart or exited the labour market altogether. Employment outcomes for the most disadvantaged jobseekers remained poor.

Policy convergence: reforms after 2007

Social inclusion not social security: Labor under Rudd

Labor’s legislative agenda picked up some of the unfinished business of the Hawke–Keating governments, reinforcing the existing social wage and instituting new social protections such as Paid Parental Leave and the National Disability Insurance Scheme. To fund these new expenditures Labor also commissioned a national review of the tax and transfer system, one subsection of which examined the adequacy of pensions and the sustainability of social security overall.

Though it did not consider the social security system as a whole, the Harmer Pension Review provided an opportunity for Labor to articulate the principles it thought should underpin social security after more than a decade of Coalition rule. The Review was commissioned by the then Minister for Families, Housing, Community Services and Indigenous Affairs, Jenny Macklin, and chaired by the Departmental Secretary, Jeff Harmer. As such it may be read as indicative of the government’s approach to social security at the time. To work effectively while also supporting a basic standard of living, Harmer asserted that the income support system had to:

- give greater assistance to those with additional costs either through transfer payments or services;
- target payments to those not able to fully support themselves;
- promote participation and self-provision through services, incentives to work and save, and obligations; and
- be sustainable (Harmer 2009, p. 1).

These principles affirmed Labor’s commitment to adequacy of social security payments and targeting assistance to the neediest, yet they also reveal broad acceptance of the terms set by the previous government, particularly the need for the system to promote self-sufficiency through working and saving.

Labor’s social inclusion agenda marked a break with the the Coalition’s free-market logic but also continuity with the party’s traditional emphasis on paid employment as the primary means of social protection. As prime minister, Kevin Rudd reiterated Labor’s commitment to rehabilitate Australia’s distinctive welfare settlement, and the repeal of Howard’s WorkChoices legislation and the reconstitution of an impartial arbiter in the Fair Work Commission affirmed paid work as the bedrock of economic security. And although the concept of social exclusion—and its antonym, social inclusion—had originated as a tool for recognising the multiple and interlinked domains of disadvantage, Labor policy tended to focus on exclusion from employment, and frequently conflated inclusion with participation in the labour market (Marston & Dee 2015). Despite some softening of mutual obligation requirements, Labor’s social security policies therefore largely carried on the Coalition’s Welfare to Work agenda.

Labor rhetoric affirmed the importance of the safety net in supporting a basic standard of living, but Labor policy reinforced the longstanding distinction between deserving and less deserving recipients of support. On Harmer’s
recommendation the Rudd government substantially increased pensions, but it resisted calls to raise Newstart (Ingles & Denniss 2009). Labor abstained from public attacks on the character and morals of the unemployed and laid greater emphasis on the responsibilities of government, but essentially preserved the framework of mutual obligation. Entitlement was a ‘two-way street’ (Mendes 2009, p. 32): the government would create the conditions for sustainable employment, and in return jobseekers were expected to undertake activities that demonstrated their readiness to find work. In the spirit of this collaborative approach, Labor softened the penalties for non-compliance and introduced stronger exemptions for vulnerable groups and greater flexibility for providers to adapt activity requirements to recognise the caring responsibilities of sole parents and carers of children with disability.

Jobs not welfare: Labor under Gillard

The narrowing of social inclusion became more pronounced during Labor’s second term in office. Under political pressure to demonstrate fiscal conservativism and re-establish Labor’s credibility as ‘the party of work, not welfare’, the government led by Julia Gillard spearheaded reforms to further restrict eligibility for the Disability Support Pension (DSP). In late 2011 it announced that new applicants would be assessed by degree of functional impairment rather than a medical diagnosis. The change was framed as a move to reverse the historical exclusion of people with disabilities from mainstream employment and was accompanied by new investment in Disability Employment Services (DES): people with disability were entitled to more than ‘a lifetime spent on disability support’ (Macklin 2011). Since 2012 the number of new recipients of the DSP has fallen sharply: in 2010–11, 69 per cent of new applicants were successful. In 2017–18 the proportion fell to 29.8 per cent (Li et al. 2019, p. ix).

These changes have sharpened the impact of Welfare to Work (Soldatic & Fitts 2018). As the number of new disability pensioners has declined, the proportion of Newstart recipients classed as having partial capacity to work has risen to one-third. There is no evidence that restricting access to the DSP has led to higher rates of employment. Labor’s 2013 reforms to DES, in combination with the rollout of the National Disability Insurance Scheme (NDIS), have had some success in changing employer attitudes, but this has not so far led to better employment outcomes (Hemphill & Kulik 2016).

Sole parents of school-aged children were also targeted. In 2012 the government announced its intention to reverse the grandfathering clause introduced by the Howard government to shield existing recipients of the Parenting Payment from changes made by its Welfare to Work legislation. The change made in the Fair Incentives to Work Act 2012 transferred some 84,000 sole parents, 95 per cent of them women, onto the much lower Newstart payment (Marston & Dee 2015, p. 6). The change was framed as encouraging more mothers back to work, though Cox (2012) and others disputed that this was necessary, since Australian Bureau of Statistics figures already showed a steady increase in sole parents’ employment over the previous decade.

The reform was widely criticised by Labor’s traditional allies, and the minister then responsible, Jenny Macklin, later admitted that the government had ‘got it wrong’ (Karvelas 2014). There is substantial evidence that the transition from Parenting Payment to Newstart has negatively impacted financial insecurity for female-headed households, and that mutual obligation requirements have increased levels of distress and led to poorer health and wellbeing (McKenzie, McHugh & McKay 2019, pp. 20–21; Jovanovski & Cook 2019). Indeed, a systematic review concluded that the impact of Welfare to Work on the wellbeing of single parents and their children ‘presents an overwhelmingly negative picture’ (Brady & Cook 2015, p. 20).

Though it is often asserted that moving from welfare to work benefits families, many sole parents who transition off Newstart do not experience the gains typically associated with employment, because their caring responsibilities lock them into casual, low-paid jobs which may offer flexibility, but provide negligible economic security (Cook & Noblet 2012). The precariousness of much flexible work in turn increases the likelihood that single parents will cycle between Newstart and casual part-time employment while their children are young (Sheen 2010).
Welfare reform revisited: the second McClure Review

Labor’s reforms were supported by the Coalition in Opposition and subsequent conservative governments have further restricted access and increased mutual obligation requirements. But whereas previous welfare-to-work reforms coincided with a booming economy and a broad consensus that change was necessary, economic conditions in the decade following the global financial crisis highlighted the gaps in social protection.

In late 2013 the Abbott government commissioned a second Reference Group on Welfare Reform, with the former Mission Australia CEO Patrick McClure reprising his role as Chair. The terms of reference reiterated perennial concerns, but with a new focus on simplicity and technical efficiency. Adequacy was in scope, but only for those pensioners ‘genuinely not able to work’. The Reference Group was asked to advise how Australia’s welfare system could:

- provide incentives to work for those who are able to work
- adequately support those who are genuinely not able to work
- support social and economic participation through measures that build individual and family capability
- be affordable and sustainable both now and in the future and across economic cycles
- be easy to access and understand, and able to be delivered efficiently and effectively (Reference Group on Welfare Reform 2015, p. 5).

In their final report the Reference Group added their own set of ‘core values’ which ought to underpin ‘a social support system’ designed ‘to enable people to live the life they value’. These core values were far more generous in scope than the official terms of reference and, as well as evoking Amartya Sen’s Capabilities Framework, included values not given weight in previous Coalition inquiries:

- participation—supporting people to participate both economically and socially and to engage with employers, and the wider community
- capability—building capability through skills and training so that people may reach their full capacity
- respect—treating all Australians with respect and dignity while acknowledging their diversity, individual challenges and aspirations
- fairness—providing equity across the welfare system, which requires that people in similar circumstances are treated similarly and everyone can easily access payments they are entitled to
- adequacy—providing income support recipients with sufficient support to ensure a basic standard of living in line with community standards. (Reference Group on Welfare Reform 2015, p. 6)

The Reference Group concluded that the system was ‘out of step with today’s labour market realities and community expectations’ but declared activation a great success (p. 62). Further changes were advised to promote employment, including removing marginal tax rates and other penalties for working, and a simpler payment structure to fix inconsistencies and inequities. However, the Reference Group also urged the government to emulate Labor’s social investment approach: specific recommendations included expanding active labour market policies to address demand-side barriers to employment, more intensive employment support for people with partial capacity due to disability or mental illness, as well as targeted intervention to build community capacity in unemployment hotspots.

Other recommendations departed from the terms of reference. As well as maintaining fiscal and economic sustainability, Australia’s social support system had to be socially sustainable. This meant ‘building broad community acceptance and support, reflecting community values and expectations’ but also ensuring that ‘the system is fair and is seen to be fair’ into the future (p. 11). Against expectations, the review affirmed the need for all payments to provide ‘a basic, acceptable standard of living and to cover the costs of participation’—including the cost of looking for work, and also the cost of social participation in community life.

Now that so many of the people on Newstart had a reduced capacity to work, a low, flat-rate payment was no longer appropriate. Allowances did not take account of the fact that single parents and people with disability were unable to work full-time and were more likely to stay longer on payments. The review proposed a tiered Working Age Payment with a higher rate for beneficiaries with reduced capacity. It also queried the usefulness of mutual obligation requirements for these groups: ‘the obligations placed on individuals’ did not always ‘reflect the realities of the labour market’, or ‘the challenges and risks of making the transition to work’ (p. 47). Instead the Group proposed that conditions be redesigned to help individuals build up their capacity with a longer term view to re-entering the labour market.
Welfare conditionality for the fourth industrial revolution: reforms since 2015

The unifying theme of the second McClure review was the need to redesign the social support system to face future social and economic challenges. One recommended change, which only came into effect from March 2020, aimed to reduce complexity by streamlining several minor allowances into one working-age payment to be renamed the ‘JobSeeker Payment’. Yet the bulk of the review’s recommendations have still not been implemented.

The most significant reform to come out of the review is the Australian Priority Investment Approach to Welfare (APIA). The Australian APIA, like the New Zealand scheme from which it borrows, is based on the premise that analysis of large data sets will allow governments to better identify subpopulations who are ‘at risk of long-term dependence on welfare’ but also likely to benefit from pre-emptive intervention (DSS 2019). It is proposed that upfront investment in individualised and intensive training and employment support will prevent people from becoming ‘trapped in the welfare system’, thereby improving individual wellbeing and lowering projected lifetime costs.

The reputed success of the New Zealand program rests on a significant decline in projected liability, attributed to more beneficiaries exiting welfare and fewer new beneficiaries (Reference Group on Welfare Reform 2015). However, critics dispute the assertion that this fall is attributable to improved employment outcomes. They cite the steep increase in homelessness and demand for emergency relief since 2013 as evidence that the reduction of future welfare liability was achieved through the increased use of sanctions for non-compliance—for example, for failing a drug test—plus more stringent criteria and longer waits for new claims (Fletcher 2015; Chapple 2013). Baker and Cooper (2018) suggest that New Zealand’s ‘social’ investment approach since 2011 has ‘focused overwhelmingly on achieving fiscal returns, not social returns’ (p. 434). The Australian Government’s longstanding desire to introduce mandatory drug-testing for people on working-age payments has contributed to concern that the APIA may use similar tactics to achieve projected savings (Lee 2019).

The uptake of digital technology in the social security system creates the impression that Australian policymakers are attentive to future challenges. Welfare initiatives like the APIA and the Targeted Compliance Framework (TCF) introduced in 2018 are presented as a more efficient and effective, and so more equitable, approach to the administration of social security. The premise is that digital technology will ensure that payments go only to those who deserve support, and that those who abuse the system will be justly penalised. However, the use of digital tools is never neutral; and there is mounting evidence that without transparency and accountability, technologies based on machine-learning algorithms tend to compound existing flaws in policy design (Eubanks 2018). This is illustrated by the failure of the Online Compliance Initiative colloquially known as ‘Robodebt’ and growing concern about the impact of the TCF on single-parent households (Carney 2018; Goldblatt 2019).

Social security reforms pursued since 2015 have neither addressed the systemic weaknesses identified in the McClure review, nor engaged with the future social and economic challenges it highlighted. But, as this paper has shown, this resistance to seriously rethinking the purpose and design of a social safety net in the wake of deregulation is not unique to the present Coalition government. Ever since the old certainties of full employment and social protection were swept away, the political class has struggled to develop an alternative policy framework for delivering economic security. Moreover, policymakers will continue to struggle with this problem, and will continue to bear the political consequences of inaction, until they come to terms with the nature of economic insecurity in the twenty-first century.

Rethinking the nature of work is essential if we are to rebuild an effective safety net. While APIA may employ the technology of the fourth industrial revolution, it is premised on a mid-twentieth century understanding of unemployment. The underlying logic remains that of welfare to work: once someone is shown how to ‘find and keep a job’, it is presumed that they will have no further need to draw on social security (DSS 2019). However, this logic does not factor in that present-day low-paid employment is typically precarious, often casual and short-term, with the result that people may cycle through stints of paid work interspersed with periods of unemployment or underemployment (Banks & Bowman 2017; Whiteford 2018). Whiteford and Heron (2018) estimate that as many as 12 per cent of part-time employees also rely on social security payments (p. 49).

4 In March 2020, a Coronavirus Supplement of $550 per fortnight was introduced, effectively doubling the JobSeeker Payment. From 25 September, the supplement will be reduced to $250; the Treasurer has indicated that extension beyond 31 December will be subject to review. See https://www.servicesaustralia.gov.au/individuals/services/centrelink/coronavirus-supplement.
7 TARGETING AND THE DILUTION OF ENTITLEMENT

Whereas the previous two chapters focused on the effect of reform on allowances—particularly the former unemployment benefit—this chapter pivots to consider the impact on payments traditionally viewed as outside of the labour market. These include the age, disability and parenting pensions, as well as the class of cash transfers targeted to low-income families with dependent children.

Reforms since 1975 have reinforced rather than weakened the distinctions between different classes of payment. While assistance to some groups has been expanded, other groups have seen their access restricted or made subject to new conditions. Where expenditure has been targeted to those in need, as in the case of family assistance and the age pension, the effect of reform has been progressive redistribution, even if the flattening of income taxation since the late 1990s has made the tax-transfer system less progressive overall (Herault & Azpitarte 2014). Elsewhere tighter eligibility and the introduction of conditionality have reinforced the stigma attached to some payments.

The reintroduction of means-testing for age pensions

In 1976 the Fraser government abolished the assets-test for the age pension. This addressed Henderson’s concern that the exemption for those over 70 was inequitable, but it also allowed some asset-rich retirees to access the pension for the first time. However, the fiscal blow was softened by the reclassification of capital gains as income, which still shut out those with private incomes derived from investments. By 1981 access to the age pension was nearly universal: Some 87 per cent of the total population over 65, and 99 per cent of those over 70 were claiming at least a partial pension (Shaver 1984, p.303).

The Hawke Labor government increased the value of the age pension and indemnified it against inflation by indexing the single pension to wages. But it also reversed the direction of previous reforms which had progressively liberalised the means test. For most of its existence stringent means-testing and a character test had undermined the designation of the age pension as an entitlement. In 1984 Labor proposed that assets be reintegrated into the means test, reversing the near-universal coverage of the age pension. While some analysts recognised the social justice case for targeting resources to those in most need, there was a concern that ‘return to selectivism’ would undermine solidarity between taxpayers and the beneficiaries of welfare (Shaver 1984, p. 305).

Subsequent governments have adjusted the means test to minimise poverty traps and disincentives for self-sufficiency across the life course (Daniels 2011). Over time the pattern has been to relax the income test to enable people to subsidise the pension with part-time employment, though a high marginal tax rate on earned income remains a strong disincentive (Services Australia 2020b). Indexation arrangements for pensions have also been adjusted to better reflect the movement of wages. Over time, indexing to MTAWE has contributed to the widening of the gap between pensions and working-age allowances (the latter indexed solely to the CPI). Nonetheless, pensioners in the private rental market have seen the real value of the pension decline as rents have risen faster than both inflation and wages (Feldman & Radermacher 2016).

Targeting and active ageing: raising the pension age

The Age Pension has not been immune to the retreat of the welfare state, even though age pensioners have generally been regarded as ‘deserving’ of support (Lewis 1975, p. 15). Still, this pension remains relatively free of stigma and pensioners have not so far not been made subject to behavioural conditionality. Attempts to constrain the number of age pensioners have instead concentrated on raising on the age of eligibility to extend workforce participation. Pension age is currently set to increase to 67 by 2023, though the 2014–15 budget originally proposed an increase to 70.

Raising the pension age is justified on the premise that since people are living longer, healthier lives they ought to work for longer. Governments in OECD countries have promoted the notion of ‘active ageing’ to reset expectations about older people and paid employment. This may be helpful in countering prejudice towards older workers, but critics argue that it simultaneously undermines the entitlement of older people to income support (McGann et al. 2016).

The effect of raising the pension age is also likely to be inequitable, with the cost borne by people without adequate superannuation, many of them women. Bowman and colleagues (2017) draw attention to the structural barriers already faced by mature age jobseekers in a competitive, deregulated labour market; and Bowman, Randrianarisoa and Wickramasinghe (2018) find that many jobactive providers currently lack the capacity to support older people into decent work. Each incremental rise in the pension age will probably contribute to an increase in poverty for those trapped in the ‘netherworld between work and retirement’ (McGann et al. 2016, p. 632).
Targeting and the dilution of entitlement continued

Shifting politics of deservingness: pensions for people with disability

Before the Whitlam era, people living with disability were virtually invisible in policy discussions (Soldatic & Pini 2009). Until this time, the only Commonwealth provision was the Invalid Pension, with additional services provided on an ad hoc basis by religious and charitable institutions. But by the 1970s there was growing national and international awareness of the rights and entitlements of disabled people. In 1974 Labor established the Handicapped Persons Welfare Program which funded specialist residential services and sheltered employment, and the Fraser Government marked the UN International Year of the Disabled Person by initiating a national advocacy body to represent people with disability on policy matters (Soldatic & Pini 2012).

The administration of pensions for people with disability has always distinguished between people who unable to work and are therefore entitled to support, and those who, despite their impairment, have some capacity to support themselves. The terms of the Invalid Pension took for granted that those claiming it were entitled to support on the basis that they were under pension age and had a ‘permanent incapacity for work’ as determined by a medical practitioner or were blind. In an economy based on manufacturing and agricultural labour, a significant physical impairment was sufficient to render someone unemployable. Applicants were subject to the same means test as age pensioners, disqualifying anyone with private means of support.

The number of invalid pensioners remained steady during the era of full employment but began to rise conspicuously following the economic crises of the 1970s as older manual workers were laid off (Carney & Hanks 1994). The Fraser government responded by tightening the eligibility criteria and appointing Senior Medical Officers to vet all cases. Impairment tables were drawn up to provide an impartial tool for measuring incapacity. Between 1979 and 1980 the number of claims rejected doubled and the number of recipients halved (Soldatic & Pini 2009, p. 190). The Hawke government initially liberalised the work assessment by paring back the eligibility of the ‘most able of the disabled’ (Evans 1989, p. 249). Like previous strategies to distinguish the undeserving from the deserving, the tightening of eligibility criteria for the DSP divided people with a disability into distinct classes. In the words of Howard government minister Jocelyn Newman, these were the ‘severely disabled’ who were entitled to support, and the ‘partially disabled’ who should be encouraged to take up the part-time work available in the new service economy (Soldatic & Pini 2012, p. 188).

In 2000 the first McClure Report on Welfare Reform proposed restricting eligibility for the full pension to those who could not work more than 15 hours a week, but the change did not come into effect until 2006 (Carney & Ramia 2002). Subsequent reforms by the Gillard Labor government in 2012, and again by the Coalition in 2015, have further reduced the number of disability pension claims granted and increased the number of people with disability receiving lower working-age payments (Norman 2018). Overall, the restriction of access to the DSP under Australia’s welfare-to-work reforms has resulted in a major reduction in the standard of living for Australians with disability (Li et al., p. ix).

Targeted assistance for families

Alongside the tightening of entitlements for some pensioners, a bipartisan commitment to alleviating poverty
in households with children has seen a relative increase in the resources directed towards families. This consensus reflects the success of the Henderson Inquiry in drawing attention to the extent of child poverty and laying the foundations for a welfare system based on need (Carney & Hanks 1994). The introduction of the Supporting Mother’s Benefit (from 1980 the Sole Parent Pension) also relied on the assumption that sole parents could not participate in the labour force, even though in practice many did.

Like Child Endowment before it, the Family Allowance was considered an entitlement rather than a benefit and was therefore not subject to means testing (Whiteford, Stanton & Gray 2001). The Fraser government extended support with the Family Income Supplement in 1976, significantly increasing the level of support to low-income families, and in 1980 family allowances and single parent pensions were substantially increased (Carney & Hanks 1994).

By contrast, increases in family assistance under the Hawke Labor government were targeted to those in greatest need. These reforms were part of Labor’s commitment to boost what was framed as the ‘social wage’ at a time when the wage-freezing measures enacted by the Accord were increasing financial pressure on families. Several new measures, including Child Support, Medicare, Commonwealth Rent Assistance and the targeted Family Allowance Supplement (FAS), aimed to improve the living standards of low-income, and especially single-parent, families. Rates of FAS were increased in 1989 and indexed the following year. Cass (1990) recognised the drawbacks of targeting but conceded that the concentration of cash transfers to the poorest households was making a significant dent in the rate of child poverty. Indeed, the Hawke government’s reforms cut the number of children in poverty by half (Brownlee & King 1989), though by the late 1990s this improvement had largely been reversed (Senate Community Affairs References Committee 2004, p. 242).

### Middle-class welfare or social investment?

Since the 1990s, incremental reforms have continued to increase the generosity of assistance to low-income families while reducing the number of households eligible. Whiteford, Redmond and Adamson (2011) suggest that the value of cash support to low-income families, not including rental assistance, doubled between 1983 and 1990 (p. 88).

In 1993 targeted payments were bundled into the Additional Family Payment to provide integrated income support for all low-income households with dependent children, regardless of whether one or both parents were employed.

Despite its nominal opposition to social expenditure, the Coalition government under John Howard substantially increased assistance to middle and low-income families. Whiteford and colleagues (2001) note that the Family Tax Initiative was especially generous, increasing the amount of assistance paid to families with dependent children as well as the level at which benefits began to taper off. By 1999 over half of eligible households were receiving the maximum rate of Family Tax Allowance A, and 40 per cent were claiming an additional payment, Family Tax Benefit B, payable to all sole parents and single-income families (p. 31). From 2004 parents were also entitled to a substantial, non-means tested lump-sum payment, dubbed the ‘Baby Bonus’. The generosity towards families appeared to be at odds with the government’s attitude towards other classes of social security recipient, including parents on the Parenting Payment who from 2006 were obliged to look for work.

The increased flow of transfers to middle-income families was labelled ‘middle-class welfare’ and viewed by critics as inefficient and inequitable. However, Whiteford and colleagues (2001) argue that payments continued to favour households in the bottom half of the income distribution, and probably helped to offset the cost of the GST and the demise of the basic family wage (p. 100).

Smyth (2013) was also reluctant to dismiss the big increases in family payments for middle-income earners as regressive. Instead he proposed that ‘the growth of social spending at the height of the neoliberal period’ marked a shift to a ‘post-neoliberal’ welfare regime in which social spending is reframed as ‘investment’ in future economic growth (p. 31) despite its limitations as a platform for social policy (Lister 2003), social investment logic presents one prospective model for broadening access to social security.

The Labor governments that followed explicitly framed social expenditure as an investment in future productivity, but they also revived the Hawke-era practice of targeting assistance to lower-income households through a combination of tighter means-testing and less generous indexation (Whiteford, Redmond & Adamson 2011).

Since 2013 the Coalition has extended behavioural conditionality to parents receiving Parenting Payment. This marks a significant break with earlier attitudes towards single-parent families. Whereas both Liberal–National and Labor governments in the 1970s and 1980s regarded sole parents as worthy of largely unqualified support based on need, governments since the 1990s have gradually rescinded this ‘deserving’ tag while extending welfare to work measures to this group. Under the ParentsNext program, eligible parents with babies older than six months are required to enter activity agreements modelled on those used by jobactive providers and can lose payments for failing to meet compliance requirements (McLaren, Maury & Squire 2018).
CONCLUSION: A SYSTEM OUT OF TIME

The economic shock precipitated by the coronavirus pandemic has exposed our collective vulnerability and the limits of existing social protections. Long out of step with the insecurity of employment in a deregulated and globalised labour market, our social security system is ill-equipped to meet the emergent challenges of this century. It has become a system out of time.

The Morrison government’s response to the pandemic recognised that the system could not cope with the surge in unemployment and this required substantive—though temporary—changes to the adequacy and conditions of payments. The crisis exposed underlying weaknesses that must be addressed by overhauling the system and making lasting changes.

Looking through a historical lens reminds us that core characteristics of our current social security system, which we often talk about as if they were set in stone, are not the only ones possible. If our social protection system has changed direction before, it can be made to change direction again.

We can use the present crisis as an opportunity to pause and consider the society we want; to reflect on whether we are content with a system that makes our welfare dependent on the vagaries of the labour market and leaves us utterly exposed to every economic shock and ecological catastrophe.

And we can imagine a different kind of system. Not a threadbare safety net of last resort, or even a trampoline that propels the acrobat-citizen back into her high-wire balancing act, but a wellspring of support; a system that sustains us through difficult times, and nourishes us across our life course so that we may flourish. A system that because it is fair and equitable enriches the civil bonds between us and strengthens the roots of a just, compassionate and democratic society.

But to move forward we need to have clarity of purpose. This means clarity about the social security system we want and need, and therefore greater clarity about which features of the present system are worth preserving, which are no longer practical or desirable, and what bold changes are necessary to ensure that social security serves its fundamental purpose.

This means asking difficult questions such as the following about present policy settings and inviting civic debate about the alternatives.

Do the benefits of means-testing outweigh the costs it imposes?

We have seen that means-testing was once fiercely contested. Originally it was conservatives and liberals who opposed means-testing on the basis that it created a disincentive for people to save, whereas Labor argued that it was necessary to prevent transfers of wealth to the middle classes and so tied eligibility for first the age pension, and later unemployment benefits, to income and assets.

But in the 1970s research drew attention to the ways in which means-testing attached stigma to benefits and created resentment towards beneficiaries from those who contributed through taxation but were ineligible for support. Lifting the stigma from social security was a priority for Labor; and Henderson’s (1975) guaranteed minimum income scheme proposed a way of resolving these tensions while preserving the progressive character of both the taxation and social security systems.

Since then both Labor and Coalition governments have progressively eased the means test for the age pension while tightening the asset and income tests for working-age allowances. Means-testing enables support to be targeted to those who need it most, but it also creates poverty traps, discourages saving and reinforces stigma.

While it may help preserve the fiscal sustainability of social security, means-testing undermines its social sustainability by creating an impression of unfairness. For as long as a significant proportion of Australians feel that the safety net does not apply to them, social security will remain a divisive political issue.

Is the distinction between pensions and allowances still appropriate?

The distinction between pensions and allowances has its roots in the much older preoccupation with sorting the deserving from the undeserving poor. For centuries maintaining this distinction was deemed necessary to preserve the incentive for those with the capacity to support themselves to do so. This logic still shaped the recent discussion around raising the Newstart Allowance—now called JobSeeker Payment—where the case for adequacy was weighed against the need to discourage welfare dependence.

The experience of the Great Depression in the 1930s overturned this thinking by demonstrating that unemployment was primarily caused by structural factors. Social security was necessary because it was broadly
accepted that some fluctuation in demand was inevitable. Unemployment Benefit was set at a lower rate than the pension because it was considered a ‘bridge’ to tide people over short gaps between jobs. This made sense in the context of full employment. But even then, the two groups were also subject to different requirements: applicants for unemployment benefits had to satisfy the work test and could be refused support if deemed to be ‘voluntarily’ unemployed.

It is too soon to tell whether the current crisis will bring about a comparable shift in thinking. Unemployment is predicted to rise to between 10 and 16 per cent in the months ahead, though for now at least, JobSeeker Payment is augmented by the Coronavirus Supplement (Coates et al. 2020).

But even if the labour market does recover quickly, the precarious nature of employment means that the JobSeeker Payment will remain unfit for purpose. The problem is not only unemployment, but underemployment. JobSeeker is no longer a transitory payment: three-quarters of people will remain on it for longer than a year (Whiteford 2019), many of them ineligible for the disability pension but assessed as having only partial capacity to work. Others may have a job—or more than one—but do not earn enough to exit income support.

People in similar circumstances with comparable needs may therefore face very different work/activity requirements and receive very different support. In response the McClure review proposed a tiered Working Age Payment, the highest tier of which would accommodate the reduced capacity of people not eligible for a pension (Reference Group on Welfare Reform 2015, p. 85). This proposal might mitigate the inequity between pensions and working-age allowances but risks introducing further complexity and friction around assessment and categorisation.

Is basic income the solution to economic insecurity?

Another proposal that has generated interest is some form of basic income (Klein et al. 2019). A basic income is defined as a cash payment paid periodically to individuals to provide a guaranteed subsistence income. Some adherents insist that a true basic income must be both universal—that is, not means-tested—and unconditional; however, it could conceivably be both targeted and conditional (Bowman, Mallett & Cooney-O’Donoghue 2017).

The case for a basic income rests on two related claims: first, that employment by itself is no longer a reliable source of economic security, and second, that automation and artificial intelligence herald a future in which many people will be unable to sustain themselves through paid work. By delivering some degree of economic security, a basic income has the potential to improve wellbeing, enable positive risk taking, and increase participation in civic and political life (Bregman 2016).

The COVID-19 crisis is stimulating increased discussion about the viability of a basic income as one means of mitigating the impact of the coronavirus on the most vulnerable (Wignaraja & Horvath 2020). Yet there remains no uniform conception of what a basic income should look like, and however it might be designed, there is broad agreement that a basic income is ‘not a panacea’ (Standing 2017).

At face value, the fundamental precepts of a basic income appear incompatible with the principles that have historically underpinned the Australian welfare settlement (Marston 2019, p. 39). Yet a blueprint for an Australian basic income already exists (Henderson 1975). Recent analysis by researchers at ANU found that a modified version of Henderson’s guaranteed minimum income, funded by a 2 per cent tax on net wealth, could smooth the high effective marginal tax rates that affect social security recipients, as well as reduce income volatility for people on low and fluctuating incomes (Ingles, Phillips & Stewart 2019, p. 15).

And the affordability of a basic income is only one consideration. Every basic income proposal necessitates trade-offs, for example between adequacy and affordability, or between universality and equity (Bowman, Mallett & Cooney-O’Donoghue 2017). It is therefore critical that these trade-offs are understood and carefully weighed to prevent harmful or unintended consequences, and that the potential for interaction with other programs is considered (Chalmers & Quiggin 2017). In any case, no basic income scheme can solve economic insecurity on its own. Economic security is not only a question of income security: financial inclusion, social infrastructure, affordable housing and decent employment will continue to play a part (Bowman & van Kooy 2016).

There are no simple answers to these key questions. Ultimately the value of any proposal for reform will need to be assessed against the principles of dignity and autonomy, equity, accountability and solidarity in addition to adequacy (Bowman, Thornton & Mallett 2019).
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