

**The Wage Earners' Welfare State
Revisited: Refurbishing the
Established Model of Australian
Social Protection, 1983-1993**

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Abstract

This paper sets out to give an overview of the most significant policy changes and developments influencing the development of social protection in Australia in the past decade. Rather than focussing on an assessment of gains and losses within the narrow confines of the state welfare system, it looks at what has happened to the broad configuration of policies which have come to constitute Australia's highly distinctive wage earners' welfare state. Overall, the conclusion is that the institutional forms and normative goals of the wage earner's welfare state have proved far more resilient and adaptable than critics have assumed likely, with targeting, award-based superannuation and women's welfare singled out as the most interesting areas in which Labor has contributed to the refurbishing of the established model.

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Introduction: A Diversity of Judgements

When asked to review what has happened to the Australian welfare state over the past decade - the decade of the Hawke/Keating Labor ascendancy - it is tempting to seek to offer some kind of measured assessment of progress couched in terms of a judgement of whether the welfare state and/or its outcomes have gone forwards or backwards over the period. That has, certainly, been the main thrust of a large number of the reviews of social policy development and social policy outcomes under Labor that have appeared from the late 1980s onwards. On the policy development side, the main question has been whether the advent of a Labor government has made a difference to expenditures and the adequacy of benefits, with, as one commentator notes (Gibson, 1990, 183), a very wide variety of conclusions, ranging from a verdict of a retreat from Labor welfare tradition (see Watts, 1989; Beilharz, 1992) to one of a renewed focus on social equity considerations (see Cass & Whiteford, 1989). On the social policy outcomes side, the vital questions have been whether the extent of post-tax/transfer system poverty and inequality have decreased (see Harding & Mitchell, 1992 and Mitchell & Harding, 1993) or increased (see Saunders & Matheson, 1993) since the early 1980s and, more generally, whether living conditions have improved or declined over the period (see Travers & Richardson, 1993), with conclusions no less various than in the case of social expenditure development.

There are a variety of reasons for the quite diverse conclusions to which these and other commentators come. Social policy analysts, no less than other social scientists, bring to their analyses particular political values and often make methodological choices - whether in respect of selection of data, focus of comparison or choice of time-points - which reinforce those perspectives (Gibson, 1990, 180). This natural diversity in prior views may be of less analytical consequence in periods of major transformation, such as the Whitlam years (see Scotton & Ferber, 1978), when the direction of change is transparent. It matters more, when the extent of change is quite limited, as, according to most accounts, was the case for both social expenditure and policy outcomes change in the period under examination here.¹

¹ Comparisons by Peter Saunders (1991, 304) of trends in real outlays and recipient numbers for a variety of Australian welfare benefits for the period 1968-69 to

These considerations apply both to output and outcomes studies. More specific to the debate on social expenditure trends is the fact that when changes are relatively small in real terms, they may well be overshadowed by and reinterpreted in terms of changing patterns of need. A large part of the case for a policy retreat from the welfare state by the Hawke government in its early years rests less on expenditure trends than on the fact that levels of unemployment were high (Castles, 1987). Thus, with relatively unchanging patterns of welfare expenditures, but changing labour market conditions, judgements may change and judgements may differ. From the vantage point of the late 1980s, and despite a trend towards declining social expenditure as a percentage of GDP, the overall welfare outlook might appear much improved compared with mid-1980s (Gibson, 1990, 185). From 1991 onwards, the labour market, and with it judgements of the likely adequacy of social spending, have turned sour. It seems quite probable that 1994 will see the beginning of yet another cycle.

The problem concerning assessments of the adequacy of social spending is that they necessarily involve a judgement of how expenditure matches up to a pattern of need, which may be subject to quite radical change. However, conclusions deriving from poverty and inequality outcomes research are no less problematical and no less diverse. This is because such conclusions are invariably out of date and because they seem to be highly influenced by technical considerations. Data has been dated because studies have depended on the release by the ABS of unit record tapes from the 1981/82, 1985/86 and 1989/90 income distribution surveys. Given four year gaps between surveys and necessary delays in releasing records, not to mention the inherent gap between analysis and its dissemination as published research, findings have always been at least two years, and very frequently far more, behind the times. How serious that can be is illustrated by the current heated controversy concerning whether the efficiency and effectiveness of the tax-transfer system improved in the 1980s (Harding and Mitchell, 1992; Saunders and Matheson,

1988-89 and the sub-period 1982-83 to 1988-89 demonstrate the extent to which social policy development was muted in the 1980s compared with the previous decade or so. This contrast between a rapid pace of social policy change in the sixties and seventies and slowdown thereafter is common to most OECD nations (see OECD, 1985). It is also the standard developmental pattern for the period as a whole in most other arenas of public intervention in virtually all advanced industrial societies (Heidenheimer, Hecllo and Adams, 1990).

1993; Mitchell & Harding, 1993). The evidence for the controversy consists of diverse estimates of changes in poverty levels between the three ABS survey dates; changes which, however, are quite likely to be of far lesser magnitude than the transformations wrought by labour market changes since 1989/90. Thus the import of the current impassioned controversy may well pale into insignificance compared with the transformation we know has taken place since, but which we do not as yet have the evidence to discuss.

On the technical side, poverty and inequality studies continue to be beset by a host of measurement and conceptual problems relating to definitions of poverty lines, the use of equivalence scales, the weighting of survey results, the treatment of income units with negative income and the appropriateness of redefining income units in such a way as to make them compatible with international usage. Disagreements concerning these definitional and measurement issues are unquestionably of sufficient magnitude to account for a substantial part of the diversity of findings concerning the trend of poverty and inequality over the past decade and the technical nature of the dispute makes balanced and informed judgement by outside commentators well nigh impossible.²

For all these reasons, it does not really seem fruitful to attempt yet another summing up of social policy in the era of Labor power in terms of the progress or otherwise of the Australian welfare state as measured by changes in expenditure, poverty or inequality. Instead, my aim here will be to seek to identify broad patterns of stability and change in the institutional organisation and policy parameters of social protection in Australia in the past decade.³ Rather than attempting to

² According to Saunders and Matheson (1993), the redefinition of income units by Harding and Mitchell (1992) to be compatible with Luxembourg Income Study (LIS) comparative data is the major source of discrepancies between the findings of the two studies. Whether or not that is actually so, and Mitchell and Harding attribute the disagreement to more fundamental conceptual differences and to corrections in the ABS unit record file (Mitchell & Harding, 1993), what is a matter for serious concern is Saunders' & Matheson's claim that available commentary on LIS methodology does not permit other observers to replicate LIS procedures. A valuable innovation in Cabinet procedure during the Hawke era was to refer all policy disagreement based on different sets of numbers back to the experts who generated them with a brief to come up with agreed figures. It could well be that we should demand the same of our social policy researchers.

³ The term 'social protection' derives from Karl Polanyi's (1944) usage designating the whole range of interventions by the state which seek to protect individuals from the consequences of the untrammelled workings of the market.

establish the empirical detail of often very minor changes in welfare outputs and outcomes, what I hope to be able to do is to illuminate the 'big picture' of what has been happening to the basic shape of the Australian welfare state in the period in question. I seek to accomplish this by asking whether the highly distinctive pattern characterising Australian public policy provision for much of this century has been substantially altered by the actions of government or by changes in the policy environment in the past decade? A necessary preliminary is to outline the basic model of social protection which has characterised Australia for much of this century and against which we may judge recent departures in policy. That is the function of the next two sections of this paper.

The Basic Model of Australian Social Protection

Quite apart from the reasons already adduced for the diversity of judgement of the welfare state progress of the past decade, there is at least one further major source of distortion in many accounts of the present state of Australian social policy. Whilst a substantial number of recent studies of the origins and developmental trajectory of the Australian welfare state have conceded that Australia has been rather unlike most other advanced nations in the kinds of policy instruments and levers on which it has relied to produce socially protective outcomes, there has been a strong tendency to ignore such differences when it comes to the nitty-gritty of describing current trends in social policy. Perhaps understandably of an academic discipline the initial organising principle of which was a focus on a particular area of administrative competence - social administration - the tendency has been to concentrate attention on topics such as income maintenance, health, housing and what may broadly be described as the 'social services'.

But what most distinguishes the basic model of Australian social protection as it has developed from early on this century through at least until the early 1970s has been the fact that, in general, the institutional arrangements which have been used for the achievement of social policy objectives have been found not so much in the

The concept includes everything that is designated by the terms 'welfare state' and 'social policy', but is wider than either.

functionally differentiated realm of social service provision, but rather in the domain of mainstream economic policy-making and, most particularly, in the realm of wages policy. The development of what is now often characterised as the 'wage-earners' welfare state' in both Australia and New Zealand (Castles, 1985, 103) has rested on three aspects of Antipodean economic policy development, which, in combination, set it apart from capitalistic development elsewhere (Castles, 1988). These three aspects were the attempted control of wages through the quasi-judicial activity of the state (the arbitration system), the substantial use of protective tariffs to bolster wage levels in manufacturing, urban service industries and fringe rural production (which became 'protection all around'), and a strong concern with the regulation of manpower through controlled migration with the aim of maintaining the bargaining power of labour (the non-racist side of the White Australia policy and subsequent migration policy).

The simplest way of locating the essential difference between Australia and most other nations is to say that, in Australia, wages policy, in large part, substituted for social policy, with the functional identity between the two being denoted by the peculiar (in terms of capitalistic criteria) importation into Antipodean wage-setting mechanisms of such concepts as the 'fair wage', the 'living wage' and a 'basic' or minimum wage set according to the Harvester criterion of "the normal needs of the average employee regarded as a human being living in a civilised community" (Higgins, 1922). This social policy conception of wage-setting, initially elaborated in the first decade of the century, was a potent factor retarding the later development of the social service state along European lines. Certainly, many poorer wage earners might have insufficient resources to cover the costs of old age unassisted, and all workers might be prevented from earning their livings and supporting their dependents by industrial accidents and by disabilities, and so Australia kept up with the European pace of workers' compensation legislation and was a pioneer of age and disability provision, but for more routine exigencies, such as temporary sickness and unemployment, the 'living wage' was supposed to provide an adequate cushion of savings to cope with most problems. A welfare state through state expenditure was, in quite large part, pre-empted by a welfare state through wage regulation.

Why such a strategy of social protection should be distinctive of Australia, and to a somewhat lesser extent of New Zealand, and have emerged so early in the century, can, ultimately, only be a matter of historical conjecture. Part of the explanation probably lies in the unique conjunction of the early affluence of the Australasian colonies (see Clark, 1953; Maddison, 1991) based essentially on primary commodity production for the British market and the early mobilisation of the working class interest in a society where democracy was untrammelled by any feudal inheritance from the past (Castles, 1988; Aitkin & Castles, 1989). In so affluent an economy, the notion that social justice might be achieved in the here and now by an arbitration system presided over by an instrumentality of the state was not necessarily nearly as utopian as it would have been in Europe of the time, where there were neither the resources nor the democratic working class support base for redistributive reform.

It is arguable, however, that such an explanation does not offer a fully adequate stipulation of the Antipodean preference for a wages rather than a social insurance approach to questions of redistribution and poverty. A possible supplementary reason is to be found in other crucial features of Australia's economic development: its high level of foreign indebtedness and the fact that much of that debt was held by the public authorities. In Herman Schwartz's extraordinarily insightful account of what he calls 'Social Democracy from Down Under' (1992), these features of colonial economic expansion under the auspices of a paternalist state simultaneously account for "the fiscal weakness of Australian federal and state governments", which prevented substantial expenditure on welfare, and for a working class preference for immediate wage benefits over state expenditures under circumstances where debt service was likely to be given a higher priority by governments than other types of government expenditure, including welfare.⁴

These features of economic development contribute not only to an understanding of the relatively weak development of social expenditures in Australia, but also provide clues as to the specific

⁴ The contemporary relevance of such a mechanism is attested to by suggestions that the recent deterioration in the adequacy of welfare provision in Canada, a country which, like Australia, suffers from congenital foreign indebtedness, is a function of the need to put overseas debt repayment before issues of domestic social protection (see Benesh, 1994)

character of the social benefits system that was established in the half century after Federation. What is frequently unrecognised is the fact that a system based almost exclusively on means-tested, non-contributory, flat-rate benefits was not all that unusual early on in the century - Britain, Denmark and New Zealand, for instance, all adopted age pensions with similar characteristics - and that its distinctiveness only emerged as time went by. Other countries assimilated new ways of doing things - variously offering benefits in virtue of citizenship, financing via contributions and providing some degree of income maintenance - but Australia stayed as it had been, and not only in respect of age pensions, but also in respect of virtually all other benefits. In the Australian story, it is arguable that the minimum wage supplied a functional alternative to citizenship rights, the 'fair wage' an alternative to income maintenance and the fact that the standards conferred by both were supposedly imbued by a conception of social justice, a reason why the labour movement was so strongly opposed to contributory social insurance which would, effectively, have reduced wages below that standard (see Watts, 1987).

In other words, the wage-earners' welfare state reduced the political pressure for a broadening of benefit provision to become a more general system for the "pooling of risk" encompassing most sections of the population (see Baldwin, 1990). Arguably, too, in the earlier decades of this century, such pressure was still further reduced by the relative generosity of the existing means-tested system in catering to the needs of the poorer strata in society. This is a point rarely understood by commentators on the Australian welfare state. Because benefits did not have to be earned by contributions over time, because benefits were flat-rate and, hence, relatively more generous to the very poor, and because of an age pensions means-test which, from its inception, was liberal enough to include more than 30 per cent of the eligible population (Jones, 1990, 24), the Australian welfare state was initially both more adequate in its assistance to the aged poor and more expensive than in most European systems of the period. Indeed, as late as 1939, and combining data for the percentage of the population over 65 years of age receiving a pension and the after-tax replacement rate of age pensions as a measure of overall expenditure generosity (see Esping-Andersen, 1990, 99), it is reasonable to suggest that Australia was third only to Germany and

Denmark and ahead of Britain, the Netherlands, Norway and Sweden in terms of its age pensions provision.

The eventual fate of the Australian welfare state in the postwar era, as measured in terms of social security transfers as a percentage of GDP (OECD, 1992), was to become virtually the lowest welfare spender in the advanced world. The argument here is that, as welfare states elsewhere have moved beyond their initial function of catering only to the very poor and the working class, the Australian system's doubly residual character in virtue of both a high degree of means-testing and a role subsidiary to the wages system made for an increasing gap between social expenditure levels in Australia and the rest of the advanced world of welfare capitalism. From that, it does not, however, follow that the outcomes of Australia's overall system of social protection necessarily became inferior to those of other countries as the expenditure gap widened. Whether that was so was a function of the degree to which other features of Australia's wage-earners' welfare state compensated for lower levels of welfare expenditure, a topic touched upon in the next section.

Axioms of the Wage Earners' Welfare State

The array of institutions elaborated by a society to afford its members some degree of social protection is not random, and, indeed, only allows of eclecticism and borrowings to a very limited degree; rather the fundamental principle of determination of such institutions creates a predictable order or systemic logic which may be recognised in quite distinct 'worlds of welfare capitalism' (Esping-Andersen, 1990; Castles & Mitchell, 1993). The shaping moment of the wage earners' welfare state was the choice of intervention in the wage-setting process as a vital leverage point for securing socially protective outcomes. As we have already seen, from that followed a lesser emphasis on state expenditure and a somewhat different range of social policy instruments than in most other advanced nations. Other crucial parameters of Australian institutional life and guiding assumptions of public policy were also shaped by the choice of wage regulation strategy and, to the degree that they, in turn, conditioned policy outcomes, may be regarded as integral aspects of the established system of social protection. An account of what has happened to

Australian social policy in the past decade requires at least some benchmark account of the more important of these aspects as they have been manifest in the practical pursuit of social policy goals for much of this century. The presentation here is in terms of a brief discussion of what may be regarded as four basic axioms of the wage earners' welfare state.

Axiom 1:

In the wage-earners' welfare state, occupational welfare has been more important than state expenditure.

It was Richard Titmuss (1958) who first emphasised that an account of the welfare state based on public expenditure alone was insufficient, because the benefits received by individuals come not merely in the form of social services, but also in the form of tax expenditures ('fiscal welfare') and benefits provided by employers ('occupational welfare'). Titmuss was pointing to the need to take account of a range of welfare mechanisms within a single society, but that point becomes more pertinent still when we are seeking to characterise the distinctive features of different types of welfare state. In Titmuss' conception, occupational benefits were a part of the private rather than the public sphere, but what makes the wage-earners' model distinctive is the manner in which it makes occupational welfare the centrepiece of social policy by using an instrumentality of the state to guarantee and enforce conditions of employment informed by social policy objectives.

Although not conventionally categorised in such a way, the margin between what employers would pay workers exclusively on the basis of market considerations and what they are constrained to pay them as a consequence of prescriptions by the state (in Australia, through arbitrated wage awards) may be regarded as an occupational welfare benefit.⁵ Implicitly, it is the assumption that, in Australia, such margins have been relatively large or, at least, greater than in most

⁵ Such margins can derive from sources other than state prescription, most notably from pressure exercised by trade unions. However, even where the margin so produced is quite large, it does not qualify for the welfare state label, both for definitional reasons (the state does not stand guarantor of the margin) and for social policy ones (the margin tends to be proportionally greatest where unions are best organised rather than where workers are most in need, as is the logical implication of wage levels set according to social policy criteria).

other countries, which justifies the description of Australia as a 'wage-earners' welfare state'. However, the claim that occupational welfare has been the centrepiece of Australian social policy does not rest on wage regulation alone. As conditions of their employment, Australian workers have been provided with a variety of benefits which either substitute for provision elsewhere normally provided through state expenditure or which may even offer forms of social protection not encountered in most other countries. An example of the former is the award provision for employer paid sickness days and of the latter, state and federal legislative provision for long-service leave. Sickness days offer a perfect instance of the distortion that occurs when we fail to consider the role of occupational welfare. Without taking sickness days into account, Australia appears to be an OECD laggard in terms of both sickness expenditure and days of sickness absence (see Kangas, 1991); including award provision, suggests a level of sickness expenditure and absence comparable to the OECD norm (Castles, 1992, 39). Moreover, Australia appears as a latecomer in the welfare arena when we consider only social security sickness provision, but as a pioneer of the welfare state when we remember that five sickness days a year were a compulsory provision of federal awards from the time of the Engineers case in 1920.

Axiom 2:

In the wage earners' welfare state, collective saving for social security provision has been outweighed by private saving for owner-occupied housing.

By far the largest redistributive component of the conventional welfare state based on public expenditure is horizontal redistribution across the life-cycle. The individual pays taxes or makes social security contributions, so that s/he may, in turn, receive benefit, when s/he is old, sick, unemployed or whatever. In the wage earners' welfare state, where the operative principle of social justice involves the modification of the primary income distribution, but in which state welfare expenditure is relatively low, horizontal redistribution becomes primarily a responsibility of the individual rather than the state. Individuals must save from their current wages sufficient to meet future eventualities, by far the most significant of which is the need for adequate income support in old age. Herein, arguably, lies the logic of Australia's extraordinarily high level of home ownership

by international comparison, with the 'living wage' serving as the basis for a wider spread of ownership than in most other countries.⁶ According to the latest figures, "85 to 90 per cent of Australians own their own home...at some stage over their lifetime" (Gruen & Grattan, 1993, 184), with home investment being preferred to rental because it combines present consumption with "a most effective form of superannuation for old age" (Travers and Richardson, 1993, 215). Just as ignoring award sickness provision distorts our assessment of the adequacy of the Australian welfare state, so too does a failure to consider the impact of home ownership. In particular, the lesser outgoings on rental housing implied by very high home ownership levels in Australia must to some degree modify the negative implications that might be derived from Australian welfare benefit replacement rates that are very markedly lower than in most other OECD countries.

Axiom 3:

In the wage earners' welfare state, the preferred mode of social services financing has been progressive taxation.

Here, the logic is again clear, even if, with the growth of the state from the 1940s onwards, the practice has become somewhat muddled (see Watts, 1987). To the degree that wages were determined by social policy considerations, they represented what the worker actually required to meet his own and his family's needs. Under those circumstances, working class resistance to financing via social security contributions or taxes on consumption was guaranteed, and it is not surprising that the labour movement was vehemently opposed to attempts to introduce social insurance on a contributory basis in the 1920s and 1930s. Australia - and New Zealand, where much the same logic applied - remain unique amongst the OECD nations in levying no social security taxes.

Initially, it was intended by the Deakinites that age and disability pensions would be financed from hypothecated excise duties on tea

⁶ The logic of a general inverse relationship between public saving for welfare and private saving for housing is advanced by Jim Kemeny (1980). The argument here goes one step further and suggests that Australian home ownership levels may have been particularly high because, historically, at least, modifications to wage levels on social policy grounds may have allowed greater access to the housing market by wage earners in the bottom part of the income distribution.

and kerosene with a clearly regressive impact, but from 1910, when Labor assumed power, the revenue base became a land tax which has been described 'as one of the most progressive taxes Australia has ever had' (Matthews, 1992, 15). Eventually income tax replaced land tax as the main source of welfare revenue, but given the fact that income tax was not levied on incomes below the average weekly wage prior to World War II, the mode of financing was one which avoided any direct impost on working class living standards. Thus, in the early years of the Australian welfare state, the redistributive nature of the welfare system could hardly be questioned since it was paid for with the taxes of the well off and received only by individuals in the bottom half of the income distribution. That is, of course, no longer the case, and not only because the working class now pay income tax, but also because means test liberalisation has brought a large part of the middle class within the ambit of the benefits safety-net, but the cast of mind so produced seems to have persisted. Those who might favour an expanded and more generous array of social services in Australia have been confronted by a vicious circle on the revenue side: Australians are averse to social security and consumption taxes, but, beyond certain limits, the progressive income tax favoured on egalitarian grounds becomes both politically unpopular and economically distorting (see Smith, 1993, 97-115).

Axiom 4:

In the wage earners' welfare state, women have had a different and lesser status than men.

The Harvester judgement of 1907 which advanced the social policy basis of wage-setting simultaneously established a wages system and a welfare state in which women's role was secondary to that of men (see Bryson, 1983 and 1992; Shaver, 1983 & 1993). Its stipulated minimum was also defined as a 'family wage' sufficient for a man to support a wife and up to three children in frugal comfort. That had three obvious implications. First, as Higgins himself noted, the principle of the living wage had to be applied differently to women since they were "not usually legally responsible for the maintenance of a family" (Higgins, 1922, 37). A woman's wage had only to be sufficient for her own support, and was initially set at 50 per cent of that of men and only achieved formal parity as late as 1972. Second, the notions of the 'family wage' and of normal female dependency

within marriage implied that women would be treated differently from men as objects of social policy. On the one hand, while men and women were similarly eligible for benefits, such as the age pension and unemployment and sickness benefits, "only wives might qualify as dependent spouses" (Shaver, 1993, 7). On the other hand, there was a special benefit for married women, whose husbands, either through death or desertion, could no longer carry out the support function. That the state was here acting in the absent male's part was very clearly signalled by the fact that this widow's pension lapsed on a woman's remarriage. The third implication of a family wage was a family means test. Technically, this feature of the Australian benefits system does not discriminate between men and women, but recent research has demonstrated that, for families in lower income deciles, the high effective marginal tax rate implicit in the family means test leads to a strong tendency for women to withdraw from the labour market when their husbands become unemployed (Mitchell & Dowrick, 1993).

Together with the wage regulation system and the residual social service state, these four axioms of the wage earners' welfare state made the Australian model of social protection seem, at least on the surface, in form if not ultimately in content, quite different from the social insurance systems of Western Europe and the liberal welfare states of North America. Arguably, the heyday of the wage earners' welfare state was coincident with Menzies era and since that time more and more cracks have appeared in the established edifice of social protection. Already in the late 1960s, the nature of the wage regulation system was under challenge and the White Australia policy had been abandoned. In the 1970s, women made considerable strides towards greater equality, and the Whitlam government flirted with more European notions of social insurance as well as beginning Australia's disengagement from high levels of tariff protection. Even so, as of the mid-1980s, much of the traditional structure of social protection still existed, including its central plank, a post-tax dispersion of male wages from employment as egalitarian as any in the advanced world (Bradbury, 1993, 20). The issue to be addressed in the final section of the paper is whether and to what degree the Hawke/Keating years have accelerated or retarded a further dismantling of the wage earners' welfare state.

What Happened Under Labor

At the heart of Labor's welfare record over the past ten years is a seeming contradiction which makes interpretation difficult and almost, at times, paradoxical. On the one hand, the Labor decade was, right across the range of policy areas impinging on social protection, a period of intense policy activism. Partly, this activism stemmed from the need to confront challenges inherent in the nature of the policy environment. Among the more urgent were the need to reverse the social policy legacy of the Fraser government (the white-anting of Medibank, the growth of unemployment, the high level of child poverty) and the need to find a means of financing the health and welfare demands of an ageing population. At least as important as these environmental challenges, were self-imposed ideological challenges. A new-found emphasis on economic rationalism led to a perceived need to make the economy internationally competitive, with all sorts of possible side-effects on the established system of social protection, and was allied with a self-conscious pursuit of managerial efficiency across the whole range of policy concerns. Arguably, in Australia, over the long-run at least, managerialism outweighed economic rationalism as a stimulus to reexamination and revamping of existing policy institutions.

On the other hand, in the area of social protection, at least, this intense policy activism did not always lead to any substantial modification of established policy norms. Not infrequently, policy review designed to promote enhanced efficiency found that the greatest gains were to be achieved by policies which broadly conformed with the contours of the existing system. Moreover, even where policy reform and the parameters of the system were potentially most at odds, as in the case of Labor's economic policy initiatives, the tendency was to adopt a course which, either out of a calculus of electoral advantage or a logic of gradualism, conceded the maximum possible legitimacy to accustomed modes of doing things. Thus, in clear contradistinction to New Zealand Labour's philosophy of "crash through or crash", Labor in Australia responded to the many challenges that confronted it not by transforming the wage earners' welfare state, but by refurbishing it. In what follows, I shall describe some of the more significant features of this process, but I should, at least acknowledge that the very fact of its occurrence confounds a

frequently implied criticism of the Australian system of social protection as outdated and unresponsive to change.⁷ On the contrary, what these years clearly demonstrate is that the wage earners' welfare state, at least under Labor tutelage, remained extremely resilient and no less capable of flexible adjustment to changed economic and political conditions than the social policy arrangements of other nations.

Protagonists of welfare universalism with a narrow state welfare approach to social policy development would clearly debate these conclusions. From that viewpoint, the only real welfare achievement of the Labor decade was probably the reintroduction of a national health service (see Jamrozik, 1987), with its character as a universal service standing in stark relief to the selectivist tenets of Australia's residual welfare state. Certainly, Medicare involved a break with selectivism, but it is absurd to see the restoration of a national health system as either a novelty in Labor thinking or as an abnegation of the underlying principles of the wage earners' welfare state. Labor has been consistently in favour of such a system since the 1940s and the reason it has promoted universalism is precisely that the exigencies of ill-health are not restricted to those outside the labour force, but may impact acutely on wage earners and their dependents. The introduction of Medicare was the one instance in which the new Labor regime saw fit to hark back to and restore a welfare policy initiative of the Whitlam government. That may be accounted for by the fact that health was the one area in which Whitlam's welfare platform of 'positive equality' along Scandinavian lines was not in conflict with traditional Labor ideas.

The other major modifications of the social service state during the period went in quite the opposite direction to Whitlam's envisaged reforms. Rather than responding to the fact of a larger and growing welfare clientele, constituted of the unemployed, single parents and the aged, by broadening the availability of benefits, the response over the past ten years has been greater 'targeting', a term encompassing more restricted conditions of 'entitlement', more stringent stipulations

⁷ This comment applies with equal force to much of my own earlier writing on the Australian welfare state (see Castles, 1985 and 1988).

of benefit 'eligibility' and more active policing of both.⁸ Entitlement restrictions in the period have included restoring income and asset testing for age pensions (between 1983 and 1992 coverage declined from 85.6 to an estimated 72 per cent - see Gruen & Grattan, 1993) and the introduction of a means test on Australia's only hitherto non-selective benefit, the child allowance. Changed eligibility conditions included reducing the age of children warranting the grant of sole parent benefit and the prospective increase in the age at which women will receive the age pension. A greater policing of whether individuals comply with both entitlement and eligibility conditions has involved a massive extension of benefit review procedures (for figures, see Department of Social Security, Annual Reports).

All these changes have been aimed at reducing welfare costs in a period during which the government continually saw its expenditure options as restricted by the need to contain public expenditure. By themselves, such changes could scarcely be presented as evidence of the adaptability of the wage earners' welfare state, but might more readily be seen as offering support for the frequently voiced proposition that a residual welfare system has an intrinsic tendency to become an instrument of welfare retrenchment in a manner familiar from the experience of the other Anglo-American welfare states in the 1980s (cf Mishra, 1990). But such an interpretation does not readily fit with the other face of policy change in the period, which was that, in many instances, targeting consisted not only of restricting benefits to the very needy, but also of increasing those benefits to meet need more adequately. Important changes include the fact that Labor met its commitment to raise the single age pension to 25 per cent of total average male weekly earnings, that it substantially increased the real value of the maximum level of rent assistance and that, in pursuit of its, admittedly, hyperbolic claim of ending child poverty, it did, indeed, make a quantum improvement to the real value of Family Allowance Supplement (see Gruen & Grattan, 1993, 192-93).

These changes give the lie to the notion that Australian social policy development in the Labor era was of a piece with contemporaneous

⁸ The distinction between 'eligibility', conceptualised as the defining characteristics of a given category of welfare recipients, and 'entitlement', conceptualised as the conditions that must be met for an eligible person to receive benefit, comes from Saunders (1991) and offers a most illuminating way of approaching issues involved in the universalism vs selectivism debate.

'New Right' inspired attacks on the welfare state in the United Kingdom, New Zealand and the United States. The period simply cannot be construed as one of an attack on the living standards of the working class. Indeed, according to Peter Saunders, taking account of both social wage and indirect tax changes, the living standards of the bottom three income deciles improved by 5 per cent or more over the period from 1984 to 1988/89 (Saunders, 1994, 183). Even where the object of attention is exclusively the selectivist state benefits system, the impression is of an attempt to use the existing mechanisms of the social policy to hold the line against poverty through enhanced efficiency and fine-tuning in response to changed conditions. However, as critics of Australia's selectivist welfare state quite properly point out, such a system is quite incapable of meeting more substantial challenges, and particularly challenges where the issue at stake is not poverty relief, but the maintenance of the income standards of large sections of the population with no income from employment. In other nations, such problems have been addressed by the social service state via social insurance or universal citizen provision. To find a comparable mechanism for social policy innovation in Australia, it is necessary to look beyond the conventional social service state to the system of occupational welfare which has been at the heart of the established model of social protection.

Although the notion of an imminent crisis of the Australian welfare state as a result of an ageing population has, at least, in terms of relevant cross-national comparisons, been much exaggerated, the long-term need to find a way of coping with demographic changes, which will eventually double the percentage of the aged in the population, is perhaps the major challenge confronting the Australian welfare state (see Clare & Tulpulé, 1994). Whilst a wholly selectivist and residual state cannot provide for the sickness care and income maintenance needs of the 20 or more per cent of the population who will be aged in the third decade of next century, on the income maintenance side, an alternative mechanism has been found in the progressive establishment of a system of workplace superannuation based on private insurance schemes funded substantially from employer contributions. Initially, this system developed, as had much of the wage-earners' welfare state before it, as a facet of the arbitration system, with the setting aside of three per cent of award

wages per annum to finance superannuation coverage as part of Accord Mark II. That award condition led to a very marked increase in the workforce coverage of occupational superannuation from around 50 to 80 per cent of full-time employees by 1991, with substantial increases from a lower base for part-time workers, female workers and workers in lower occupational strata (see Mann, 1993, 29-33). With the Superannuation Guarantee Charge introduced in 1992, and an expected employer levy of 9 per cent of wages by the year 2002, coverage and adequacy of the scheme will be much increased. According to the latest EPAC estimate, a retiree on average wages in 2031 might expect superannuation benefits amounting to 60 per cent of pre-retirement income, with welfare expenditure as a percentage of GDP increasing only one percentage point between now and then in contrast to a 2.4 percentage point change without the Superannuation Guarantee Charge (Clare & Tulpulé, 1994).

Every possible paradox of the wage earners' welfare state is exhibited in the introduction of workplace superannuation and academic commentary on it. What is often regarded as the crowning glory of the 'institutional' welfare state by Scandinavian commentators is in Australia introduced *sotto voce* as a part of the wage award system and is made into a comprehensive retirement income scheme by a legislative obligation on employers to pay what is frequently discussed merely in terms of 'on-costs' to business. With only a very few exceptions,⁹ international commentators do not count Australian superannuation as an enhancement of the welfare state and the OECD does not count employer contributions as a social security tax, despite the fact that such contributions fund age retirement benefits. At the same time, and with far less excuse, most domestic commentary on recent social policy change relegates the introduction of superannuation to a page or so and more usually to footnote status. Yet this is despite the fact that superannuation will markedly increase expenditure on welfare related outcomes, will more than double existing pension levels for the average wage earner, is potentially the key to greater gender equality in access to welfare and, were it to be

⁹ Mann's (1993) article, shows how award superannuation has led to far greater occupational pension cover in Australia than in the UK, despite the fact that the replacement rate of state pensions is much lower in the UK. In general, his contrast between the policy context of welfare reform in the two countries and his discussion of the problems of welfare universalism in an era of economic frugality suggest that some advanced countries, at least, suffer from ills far worse than those of the Australian system.

counted as a social services benefit like any other,¹⁰ would ultimately make it necessary to reevaluate many of our conclusions about the adequacy of the Australian welfare state and how it compares with the social provision of other nations.

If workplace superannuation represents a major refurbishment of Australian social protection via the traditional mechanism of occupational welfare, other developments might seem to suggest a diminished role for the wage earners' welfare state. Labor's economic policy stance of internationalising the economy and making it more competitive involved the gradual elimination of protective tariffs and by implication, on the basis of the original logic of Australian social protection, a withdrawal by the state from the arena of wage regulation. Internationalisation and an economic rationalism were also seen by Labor policy-makers as necessitating income tax reductions and a diminished progressivity designed to increase incentives to higher productivity. Policy initiatives in these areas promised a diminution in the wage equality which was the underlying premise of the wage earners welfare state. Moreover, a long-run compositional change in the character of employment has led to the disappearance of as many as 25 per cent of male full-time jobs, with job losses "concentrated in the middle three quintiles" of the employment distribution (see Gregory, 1993, 66). This latter change, to some degree exacerbated by the cumulative effects of the various economic and fiscal policy changes, accounts for findings which show that the relatively equal dispersion of post-tax male wages circa the mid-1980s had declined appreciably by the end of the decade (Bradbury, 1993). Given the high levels of unemployment experienced both at the beginning and the end of the Labor decade and the demonstrated impact of the Accord in reducing real wage

¹⁰ Indeed, once one thinks in terms of the structural form of welfare provision rather than who is technically the provider, it is really quite difficult to see why superannuation benefits or for that matter award sickness days should not be regarded as basically analogous to income-related social insurance of the type common in continental Western Europe. Both systems provide income-related sickness and age pension benefits guaranteed by law. The only obvious difference is that Australian benefits are held in private hands, which probably leads to some slightly greater variability in benefit levels and to some slightly greater risk that potential beneficiaries will lose out because of bankruptcy of the benefit provider. On the other hand, the fact that benefits are restricted to employees (ie wage earners) is not a difference. Social insurance systems, no less than the wage-earners' welfare state, restrict their major benefits to those who are in employment over the long-term.

growth (Chapman, Dowrick & Junankar, 1991), the verdict might be that the wage earners' welfare state - at least, in its traditional form - had failed to deliver where it promised most: in protecting the living standards of average wage earners.

Such a verdict may ultimately be the correct one, but there must be some serious caveats. The institutionalised axioms of the established system do seem to have modified a process of change which was also going on in other Anglo-American nations, but which, arguably, has been less fulsomely embraced in Australia than elsewhere. This is certainly true of taxation, where the long-established resistance to consumption taxes led to the government being "rolled" at the Tax Summit of 1985 and contributed substantially to the defeat of the Coalition in 1993. Arguably, too, the traditional preference for progressive taxation led to the introduction of both capital gains and fringe benefits tax by Labor quite against the tide of New Right inspired tax changes in the 1980s. On the wage regulation front, a decisive shift to enterprise bargaining (Plowman, 1990, 155-56), has not been accompanied by efforts to undermine those features of the centralised industrial relations system protecting minimum wage levels and preventing wage break-outs. At times, certainly, the wage fixation apparatus has been somewhat sidelined by the Accord process, but the Accord partners have sought to work through the centralised wage system rather than destroy it, as in New Zealand.

Perhaps most significantly of all in terms of preserving the basics of the wage earners' welfare model, levels of home ownership actually seem to have been on the increase from the mid-1970s with a figure of 68.6 per cent in 1976 increasing to 70 per cent in 1981 and to 72.7 per cent in 1988 (Gruen and Grattan, 1993, 184). This finding is fascinating because it suggests that a central plank of the established system could be maintained and enhanced despite markedly increased access costs for housing and despite wage restraint, unemployment and the hollowing out of the male wage distribution, all of which ought to have served as major impediments to home ownership.

The most important factor countervailing such impediments has been a marked change in the structure of the labour market. Without question, the major reason that home ownership remains a viable goal for most Australian families is that there has been so great an increase

in the percentage of two income families over the period of the Labor government. That change has been a function of a vast increase in female labour force participation - according to OECD data (1992) from 52.7 per cent of the female population aged fifteen to 64 in 1963 to 62.3 per cent in 1990 - a change underwritten by the most successful employment creation record in the OECD in the 1980s and, to some degree, facilitated by deliberate Labor policy initiatives - in the areas of taxation, affirmative action and subsidised child care - favouring female employment.

Increased female labour force participation is only one facet of what is undoubtedly a real change in the position of women within the Australia's system of social protection. Sheila Shaver (1993) has demonstrated that, within the conventional social service state, the Labor years have completed a process whereby women are no longer treated significantly differently from men. Moreover, as women have entered the labour force, they have gradually begun to acquire the rights that accrue from participation in the occupational welfare system: sickness benefits (although often used by women for family rather than personal need), long-service leave (although far less frequently accrued by women than men because of interrupted careers) and now, progressively, rights to superannuation benefits in old age. Whether formally in terms of equal rights within the benefits system or more positively in terms of sharing the more valuable rights contingent on labour force participation, our fourth axiom no longer seems to apply: women no longer have a different and lesser status to men in Australia's welfare state.

However, at the same time that women have started to share more equally in the rights conferred by Australia's distinctive system of social protection, they have simultaneously become a vital prop of the system. For most families, the male wage packet is insufficient to provide the conditions of a civilised existence, and 'living decently', as Travers and Richardson (1993) put it - or, at least, the initial accumulation process which allows a decent existence thereafter - is usually crucially dependent on two wage packets. Arguably, then, whilst most aspects of the established model of social protection have been modified rather changed out of all recognition, the maintenance of the nexus between wages and welfare has only been accomplished by a crucial transformation: what might have been much better called

the male wage earner's welfare state is on the way to becoming a genuine wage earners' welfare state - both plural and ungended!

Or, at least, that is one possible interpretation and, perhaps, a vision of the shape of things to come. In the meanwhile, it is well to recognise that this new version of the established model is problematic in a number of ways. Unlike the social policy minimum delivered by the arbitration system, the state does not stand guarantor that all families that seek the security of two incomes will find that security. Definitionally, that may be a reason to question the welfare state appellation of the refurbished system. Practically, it means that families with one or both partners unemployed miss out now as unemployed male wage earners did in the past. Nor does equal formal status in the welfare state and equal rights when in the labour force mean that women do not confront serious difficulties in combining domestic and labour force roles. While women continue to have more interrupted career profiles than men, and to the degree that they work only part-time, the benefits they obtain from both labour market participation and the occupational welfare system will be less than those of men. Finally, women are far more likely than men to be sole carers and to live long periods of their lives alone, and, hence, unprotected by the benefits conferred by being a part of a two income unit.

These problems make the refurbished wage earners' welfare state far more precarious than its predecessor. They also define a peculiarly Australian agenda for social policy change, where, with the exception of the continuing need to address the consequences of long-term unemployment, the criterion for greater social protection can be substantially equated with reforms which remove remaining barriers to female labour force participation or which make special provision for circumstances in which individuals fall below community standards underpinned by the two income unit norm. Some of this agenda has been partially addressed by Labor: affirmative action, child care, the child support scheme and attempts to taper means tests to decrease their deterrent effect on employment take-up. Other issues remain to be addressed including the impact of family means test and the extraordinary weakness of paid maternity leave provision in Australia.

It is, moreover, quite possible that the policy agenda provided by the need to complete the refurbishment of the wage earners' welfare state will define the character of political conflict in Australia for decades to come. Labor's five consecutive victories must be partly attributed to its stance on issues of social protection. Labor may now realistically be seen as the party of the refurbished welfare state confronted by an Opposition schizophrenically divided between proponents of liberal laissez faire and of the sort of nostalgia for the older model of the Australian welfare state propounded by John Howard and the Enid Lyons Society. So long as Labor can find ways of binding together its two natural constituencies of support - the poor and families reliant on a second income - its political dominance is likely to be prolonged.

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