

Welfare reform, the underclass thesis and the process of legitimising social divisions

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Abstract

This paper critically examines the prevalence of the underclass phenomenon in Australian welfare reform. Current welfare reform is based on an understanding of the relationship between income support recipients and the welfare state that is consistent with pejorative accounts of an underclass. Income support recipients are viewed as either passive recipients who have been disempowered by the welfare state or active recipients who deliberately abuse the welfare system.

The analysis is based upon a *critical post-traditional paradigm* that recognises systems of power and the ways in which these influence the policy process and the formation of social divisions. Of particular significance is the way in which the normative beliefs of politicians and policy makers have converted the problem of so-called 'welfare dependency' into a private issue of welfare recipients rather than one belonging to society more broadly.

Examination of the records central to the Howard Government's welfare reform agenda and *Hansard* for the period 1999-2005, reveals the Government's belief in an underclass of misbehaving and/or morally corrupt individuals. Through a process of conversion, the normative beliefs of politicians have been transferred into practice and have served to reinforce the perceived need for current welfare reform measures and to legitimise the marginalisation and exclusion of some individuals from mainstream society.

Introduction

During the last three decades adaptation of social policy to the ideas and philosophies of a conservative neoliberalism has represented a dramatic departure from earlier conceptions of welfare provision during the post-war era. No longer is it generally agreed that the state has a responsibility to ensure the welfare of its citizens. Instead, consensus on welfare provision has been undermined by increasing acceptance of the principles of small government, market freedom under the banner of neoliberalism, and emphasis on people's self-reliance. Government intervention in the functioning of the economy is considered counter-productive because it encourages 'welfare dependency' and interrupts the 'natural order' of the market place. The effect of these changes has been new and emerging divisions in society, with some sectors of the population experiencing widening inequalities and the possibility of long-term marginalisation (Martin, 2006; Saunders, 2002).

While social critics of current welfare reform have drawn attention to these divisions and to the exclusion of some sections of the population, they have generally failed to mount a credible response to the continued application of neoliberalism to social policy. Their contributions tend to emphasise structural constraints on human behaviour, such as economic restructuring, the anonymous power of social forces, spatial segregation, post-Fordism, labour market disaggregation and the restructuring of welfare regimes (Mann, 1999: 149-150). What is largely missing from their accounts is critical examination of the agenda itself, including the policy process and the underlying moral assumptions that are consistent with conservative claims of a badly behaving and/or morally deficient 'underclass'¹. The changes have been extensive, and it is no longer appropriate to refer to the aggregate of policies that ensure the physical survival of citizens and enhance their social functioning as the 'welfare state', but rather, to draw on the work of Jamrozik (2001), as the *post-welfare state* in much of the developed world.

The purpose of this paper is to examine the ways in which the underclass thesis is evident in current welfare reform, and the extent to which it legitimises contemporary social divisions and the marginalisation of some sections of society. Of central

¹ Inherent in this omission is recognition of choice and agency as reflected in accounts of an 'underclass'. This point is explored in the context of the purpose of the paper and I analyse the issue of choice and the agency of welfare recipients more explicitly elsewhere (Martin, 2006, 2004).

concern is the influence of the political system, including parliamentarians, ministers and their departments, and the effects these institutions have on social divisions. Their power and influence are revealed by critically examining their normative beliefs about those in receipt of welfare and the extent to which these ideas inform welfare policy. The focus of the analysis is on welfare developments in Australia, in particular the key policy records and *Hansard* during the period 1999-2005 under the leadership of Prime Minister John Howard. These records have undergone a systematic and critical content analysis that has used the underclass thesis as an investigative frame².

Welfare reform

Election of the Liberal-National Coalition Government in 1996 marked the most substantial paradigm shift towards the political right in Australian social policy. Under the stewardship of John Howard, the government introduced a collection of welfare reform programs that aimed to increase participation in the work force and reduce the number of people in receipt of social security payments. The overall policy emphasis has been on shifting the primary responsibility for welfare from the state to individuals, their families and their local communities in order to reduce the level of demand for state-funded welfare. The changes have been extensive and it is becoming increasingly inaccurate to refer to the system of social policy that exists in Australia as a welfare state. A more apt description is the 'post-welfare state' (Jamrozik, 2001, 2005), a term that denotes a period of transition in welfare provision.

Beginning with a formal review in 1999, the Howard Government officially announced its intention to reform the welfare system. The then Minister for Family and Community Services, Senator Jocelyn Newman, announced the formation of a Reference Group whose task was to 'guide the development of a comprehensive Green Paper on welfare reform', based on six key principles centred on the concept of 'mutual obligation' (Newman, 1999a)³.

² The analysis itself is contained in Martin, 2006.

³ These principles included: maintaining equity, simplicity and transparency; establishing better incentives for people on social security to undertake work, education and training; creating opportunities for people to increase self-reliance; expecting people on income support to participate in a framework of mutual obligation; providing more tailored assistance that focuses on prevention and early intervention; and maintaining a disciplined approach to fiscal policy (Newman, 1999a).

The precursor of this review was the perception of a significant increase in ‘welfare dependency’ that alarmed the Senator at the time. Interestingly, it seems that this may have been misinformed. According to Henman (1999, 2000 in Saunders, 2002b: 227), the Minister failed to recognise that the substantial increase was attributable to past policy reforms that had extended the coverage of benefits by changing eligibility rules and easing the income test. But the Minister’s perception was never successfully challenged and the idea there existed high levels of ‘welfare dependency’ became a powerful and influential driver for fundamental change of the welfare system.

In March 2000, the Reference Group released an interim report, which ‘concentrated on outlining a new framework for fundamental re-orientation of Australia’s social support system’ and invited feedback from the Australian community about what form this might take (McClure, 2000a: 1). Community response was significant⁴. The broad points that were made were that the key goals of the social support system should be poverty alleviation and helping people access opportunities for social and economic participation, with equal importance placed on both (McClure, 2000b: 7). These points were integral to the model of welfare set out in the final report, commonly referred to as the ‘McClure Report’, which was produced by the Reference Group in July 2000.

The McClure Report provided the basis for the development of a new social support system. Integral to this system were the notions of ‘participation’ and ‘mutual obligation’ that refer to the objective of increasing levels of participation in the economy and society while the government continues to provide a ‘safety net’ of social security. The McClure Report recommended that the objective of welfare reform should be to reduce the ‘proportion of the working age population that needs to rely heavily on income support’ and to ‘develop stronger communities that generate more opportunities for social and economic participation’ (McClure, 2000b: 4). It is worth noting that the original expression of maintaining a balance between participation requirements and poverty alleviation had been noticeably reduced.

The government’s response to the ‘McClure Report’ was the ‘White Paper’, *Australians Working Together (AWT)* (Vanstone and Abbott, 2001), released in May

⁴ The Reference Group received over 300 written responses in addition to a number of verbal responses from welfare bodies and individuals.

2001 and legislated in March 2003. The 'White Paper' was built on the basis of four 'pathways' that were said to encourage independence: job search support for the 'job-ready'; intensive support for people in or at risk of long-term unemployment; transition support for parents, mature-age jobseekers and carers not yet ready for active job search; and community participation for people who need more intensive help to address problems such as homelessness or mental illness (Commonwealth of Australia, 2002b: 1).

Later measures focused specifically on disabilities⁵ and Indigenous Australians⁶. People with a disability, parents, mature age people and the long-term unemployed are currently the primary focus of welfare reform as reflected in the 2005-2006 budget (Department of Employment and Workplace Relations, n.d.), despite the original assertion by the Reference Group that 'long-term reliance on social security is entirely appropriate' for some people in these categories (McClure, 2000a: 7). The reforms impose 'participation' requirements on new sole parent applicants (once the youngest child turns 6) and switches them to a lower benefit structure once that child turns 8. Eligibility for the Disability Support Pension has been tightened and those deemed able to work will face participation requirements along with the long-term unemployed (Carney, 2006: 27).

The underclass thesis

Current welfare reform is underpinned by particular explanations of the behaviour and activities of welfare recipients that are arguably reflected in the underclass thesis. As such, I have used it here as an analytical framework. Within this framework, income support recipients are viewed as either passive recipients who have been disempowered by the welfare state, in-line with the arguments of Lawrence Mead (1986, 1991, 1992, 1997), or active recipients who deliberately abuse the welfare system, as reflected in the work of Charles Murray (1984, 1994). For both groups, the solution lies in altering individuals' behaviour and restructuring the welfare state to minimise what are perceived to be the disincentive effects of welfare provision and to

⁵ *Better Assessment and Early Intervention* program, introduced in September 2002.

⁶ Significant changes were made to the Community Development Employment Program (CDEP) (Department of Families and Community Services, 2003).

ensure compliance with the rules and regulations that govern it. The central features of the underclass phenomenon are outlined in Table 1.

Table 1: Key characteristics of the underclass phenomenon

Basic Principles
Emphasis on active agency: rational choice, self determination and deviance as strategy
Assumes homogeneity and stability: culture of poverty
Based on tradition
Role of the State
Welfare state dis-empowers and acts as a disincentive to work
Stress on individual responsibilities rather than collective responsibilities
Policy Solutions
Limit state intervention
Lower financial cost
Punish and coerce the poor into behaving in desirable ways

Adapted from Jones (1997: 97)

These features are intended as an analytical guide rather than a precise framework because the interaction between some indicators remains hidden in what is a simple presentation of ideas. In terms of ‘basic principles’, for instance, there are differences in conservative accounts about the behaviour of those experiencing social and economic deprivation and their views of individuals as rational actors motivated by self-interest. Contributors such as Murray (1984, 1994) and Marsland (1995) pointed to structural influences on human behaviour, in particular the welfare state, as well as the self-maximising utility of welfare recipients. Mead (1991) also recognised structural influences but maintained that the behaviour of the poor is not necessarily guided by rational self-interest, but rather the poor are those with the most severe behavioural problems whose circumstances are largely a product of their environment. While recognising some of the nuances contained within it, the framework is useful as a basis for analysing current welfare policy measures and the conservative ideas that underpin them.

Reducing levels of so-called ‘welfare dependency’ is the government’s primary objective. But how has ‘welfare dependency’ been defined as a problem? How has it been defined as a problem of those experiencing deprivation rather than one that belongs to the state or the social structures of society more generally? The immediate

answer to these questions is that government policy has located the source of the problem in the behaviour of income support recipients themselves and in the structures of the welfare state, but further exploration is required to uncover the systems that drive this process.

A critical post-traditional paradigm

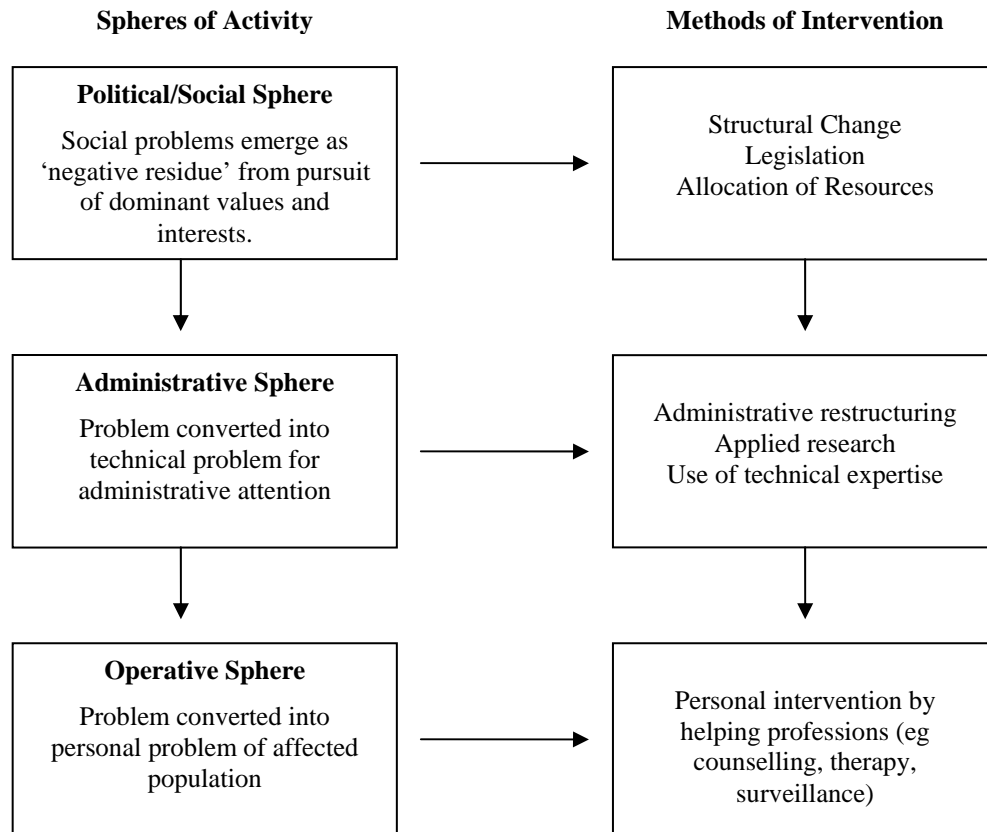
The content analysis is underpinned by a ‘critical post-traditional paradigm’ (Martin, 2004 and 2006), which is a reconstructed version of Titmuss’ (1958 and 1963) Social Division of Welfare. Specifically, the micro concerns Titmuss raised about the social division of welfare are unified with some of the macro concerns raised by Sinfield (1978) and Jamrozik (1991, 2001 and with Nocella, 1998), which drew attention to the ways in which power relations and class-based interests maintain inequality.

Titmuss’ Social Division of Welfare focussed on the distribution of public resources and the ways in which their distribution contributed to the maintenance of class divisions. By using the Social Division of Welfare as an analytical tool rather than just a descriptive framework, the paradigm draws attention to the power systems in place that effectively blame the poor for being poor (Sinfield, 1978). Jamrozik (2001, 2005) conceived welfare as both primary and residual⁷, and this approach further facilitates identification of the systems of power and underlying values that influence policy design and implementation⁸.

The model of the ‘residualist conversion of social problems’ designed by Jamrozik and Nocella (1998) is an important element of the paradigm that facilitates identification of the ways in which social problems are defined in the political sphere and attenuated in the administrative and operative spheres. According to the model, intervention in social problems takes place on three levels of organisational activity: political, administrative and operative. The different methods of intervention that occur at each of the three levels or spheres of activity are illustrated in Figure 1, which outlines the typical process of conversion of social problems.

⁷ Primary welfare refers to the provision of essential services for a basic standard of living for all members of the community including education, health, housing and public transport. Residual welfare refers to the provision of benefits targeted at conditions of poverty.

⁸ The paradigm also integrates the work of Bourdieu (1984, 1987, 1988, 1989, 1993) to account for the influence of human choice and agency, but this element has not been specifically explored in this paper but does appear in other work (Martin, 2004 and 2006).



Source: Jamrozik and Nocella (1998: 50)

Figure 5-1: Process of Conversion

While interventions in social problems may be initiated at any of the levels, the intervention process tends to be considered as a top-down process, as illustrated here. This is because decisions at the operative level are often dependent upon decisions at the administrative level and at the political level where resource allocation takes place. The conversion process begins with the government identifying the issue. At this level:

... certain societal values and interests are translated into policies, laws and allocation of resources deemed necessary to implement the policies and enforce the laws (Jamrozik and Nocella, 1998: 48).

At the administrative level, political decisions are converted into intervention methods at the level of service delivery. Activities include the processes that translate policies and legislation into administrative rules and develop instructions at the operative level (Jamrozik and Nocella, 1998: 49). In other words, this level is concerned with converting a social problem into a technical one that can be addressed at the level of service delivery.

The third sphere of activity in the conversion process is the operative level. At this level, laws, administrative rules and directives are interpreted and applied, and what was identified as a social problem in the political sphere is converted into a personal problem of those in the affected population (Jamrozik and Nocella, 1998: 49). This is not to suggest that social problems are not defined as problems belonging to individuals earlier than this, but rather the activities at the operative level confirm and complete the conversion process. The outcome is twofold: location of a social problem with the individual; and a pathologising of the individual to fit in with new or existing intervention methods:

At this level, a dual conversion takes place: conversion of a collective problem into an individualised, personal problem; and conversion of the now-personal problem into a form of pathology that fits into the framework of the professional's intervention method and the theory guiding that method (Jamrozik and Nocella, 1998: 49).

The process of conversion ends with the social group/s that relate to the social problem that was initially identified. In the context of this discussion, the conversion process ends with welfare recipients, in particular those considered to be 'misbehaving' and/or 'morally deficient'.

Content analysis

The 'White Paper' and the 'McClure Report' that underpins it are the two key policy documents central to the Howard Government's welfare reform package, with more recent changes extending the original propositions. Considered alongside supporting documentation including ministerial speeches, the 'Discussion Paper' on welfare reform and *Hansard*, this collection of records reveals the government's policy intentions⁹. The collection reveals important insights into the values and beliefs of the politicians and policy makers driving the welfare reform agenda about the activities and behaviours of some sections of Australian society.

⁹ The specific records I chose for the content analysis were: the speech to the National Press Club on the 29th September, 1999 titled *The Future of Welfare in the 21st Century* by the then Senator and Minister for Family and Community Services, Jocelyn Newman (Newman, 1999a); the 'Discussion Paper' titled *The Challenge of Welfare Dependency in the 21st Century* (1999b), also by Jocelyn Newman; the Interim Report of the Reference Group on Welfare Reform titled *Participation Support for a More Equitable Society* (McClure, 2000a); the Final Report of the Reference Group on Welfare Reform titled *Participation Support for a More Equitable Society* (McClure, 2000b); the *Governments' Statement on Welfare Reform* (Department of Families and Community Services, 2000); the White Paper titled *Australians Working Together* (Vanstone and Abbott, 2001) and supporting literature; and *Hansard* for the period September 1999 to December 2004.

For the content analysis I used a combination of manifest coding, that drew attention to the written content of the documents, and latent coding that evaluated the implicit meaning of the text. Used together, these approaches yield a higher degree of validity than I would achieve if I limited the analysis to one form of coding (Neuman, 2003: 313).

Basic principles

Emphasis on active agency and rational choice

The concept 'active agency' lies at the heart of the collection of policy documents and underpins much of the language about human behaviour. The actual metaphor 'active agency' as it pervades current welfare reform evokes positive images of active participation in the labour market, while at the same time casting shame upon those who, it is perceived, fail to take adequate measures to improve their wellbeing by actively participating in the labour market. For example, the 'Interim Report' (McClure, 2000a) advocated welfare reform that creates 'greater opportunities for people to increase self-reliance and capacity building' (McClure, 2000a: 2). *Prima facie*, the proposition that there exists a group of people who are behaviourally and morally deficient is not apparent in the quotation. Implicitly, however, the suggestion here is that there exists a group of people in receipt of welfare who are dependent (non self-reliance) and incapable (non capacity building). The conclusion that may be drawn from the report is that due to personal deficiencies, some welfare recipients are exhibiting undesirable behaviour and require state intervention to facilitate financial independence.

Like the concept 'active agency', the term 'rational choice' does not appear in any of the documents, but again the meaning it conveys is captured by other terms and phrases. Many of the assumptions and ideas about the behaviour of welfare recipients that are contained in the texts are underpinned by the idea that individuals make 'rational' and calculated choices. In the language of the underclass, it is a concept that is typically used in a negative manner to draw attention to those who, it is perceived, deliberately 'abuse' the welfare system because they believe that it is more beneficial for them to be in receipt of welfare than to undertake paid employment.

To illustrate, the analysis of *Hansard* revealed a number of MPs held a strong belief in the existence of ‘welfare cheats’ and/or ‘welfare fraudsters’. The then Minister for Family and Community Services, Senator Newman, for instance, is quoted in *Hansard* as saying:

The government recognises that the majority of people who are obtaining assistance under the social security legislation are both meeting their obligations to the taxpayer and genuinely looking for work. But unfortunately there is a small core of people who are not prepared to do either... They are defrauding. The taxpayer is paying for people who are breaking the spirit of the [social security] legislation... people who will go surfing on the taxpayer... it is not on to simply subsidise people sunning themselves at the taxpayer’s expense (Questions Without Notice, Senate, 30th March 1999: 3468).

While *Hansard* contained the most explicit evidence of a belief in a devious subculture, the other documents also revealed similar assumptions. In the ‘Final Report’ on welfare reform, for example:

An obligation to participate will reinforce community expectations and will encourage the *minority of individuals who might be reluctant to take-up appropriate opportunities* (McClure, 2000b: 33. Emphasis added).

The notions of active agency and rational choice that unify much of the language about the behaviour of income recipients sets up a moral distinction between what is perceived to be good, desirable behaviour, and bad, undesirable behaviour. Desirable behaviour includes hard work and supporting oneself through employment. Undesirable behaviour includes failing to take adequate steps towards participating in work and/or study, and failing to demonstrate a willingness to do so.

The following quotes from *Hansard* reveal a belief amongst members of the Howard Government in a distinction between the behaviour and morality of the working majority and those who it is perceived are taking active steps to find work, and that of a group of income recipients: the ‘good hardworking citizens of the nation’ contrasted with the ‘unemployed welfare cheats’:

We want to work with the men and women of goodwill, those who assist Centrelink in providing information, so that the hardworking people of Australia do not have to bear the cost of welfare cheats and welfare fraud. Those who are entitled to receive benefits should receive them and receive them in an efficient and fair way. Those who are cheating the system will not be tolerated by this Government (Mr Truss MP, National Party, Minister for Agriculture, Fisheries and Forestry, Questions Without Notice, Senate, 8th June 1999: 6262).

Cracking down on welfare rorting... is about making sure we have got the funds to provide decent services... It is not about taking money away from those who

do not deserve to get it taken away; it is about those who are taking money out of the pockets of their fellow Australians by abusing a system that is designed to assist people in need (Ronaldson, MP, NP, House, 17th August, 2000: 19325).

The views expressed by the various members of parliament correspond with the Howard Government's welfare reform agenda, as they are reflected in the government's formal policy position¹⁰. The following excerpt taken from the 'White Paper' on welfare reform, *Australians Working Together* (Vanstone and Abbott, 2001) is similarly evidence of a disjunction between desirable and undesirable behaviour based on labour market participation and receipt of welfare payments and it illustrates the conversion of these ideas into policy at the administrative level:

In return for government support and assistance, the community rightly expects people on income support to make the most of the help provided... For those able, we believe that people on income support have an obligation to improve their job prospects, prepare for the future, or do community work... The great majority of people will take up the opportunities provided with enthusiasm. *Inevitably, however, there will be those who are reluctant to take part unless they have to* (Vanstone and Abbott, 2001: 14. Emphasis added).

Assumed homogeneity

The second basic principle of the underclass thesis is homogeneity; the idea that there exists a group of welfare recipients with the same characteristics. The welfare reform agenda is explicitly concerned with Australians of workforce age in receipt of welfare payments. This comprises a fairly large group of individuals with differing circumstances and social and economic needs. The government accounts for this diversity by identifying a number of sub-groups within the population of workforce age welfare recipients, including young people, sole parents, people with disabilities, indigenous people and their communities, and mature-aged people.

While there are differences in the policy measures for each of the sub-groups and the level of activity required, there is evidence of a perception of cultural and behavioural homogeneity. Welfare recipients are assumed to be in need of behavioural intervention because they choose not to work and/or their environment has not encouraged them to do otherwise. Either way, welfare recipients are considered an

¹⁰ In using such expressions as 'welfare cheats' the Government aimed to reinforce the negative image of people who acted as 'bludgers': a term well-established in the Australian lexicon and frequently used by politicians.

homogenous group in that their absence from the labour market is due to their own behavioural and/or moral shortcomings.

There are two groups in particular with whom the welfare reform agenda has been especially concerned: young people, who have been the main focus, and those who have never worked. Literal reference to young people far outweighs that given to other demographic groups and the staunchest criticism of individual behaviour appears to be reserved for some members of this age group. References to ‘surfing at the taxpayer’s expense’ (Newman, *Hansard*, 30th March, 1999) and the implicit charge that this group more than any other is failing to actively look for work (Newman, 1999b: 12) is indicative of some of the moral assumptions made about their behaviour.

This account of labour market detachment focuses primarily on the agency of the individual and the way in which state structures facilitate undesirable behaviour. Individuals are believed to choose unemployment and to do so through personal deficiencies and a disregard for the system of welfare that provides them with financial support. Just as Hayek (1962) and Friedman (1962, 1980) argued earlier, the welfare state is considered a ‘lethal threat’ to freedom that should be dismantled and welfare recipients should be enabled to help themselves. While the state’s welfare structures are considered in this view, other social structures that affect labour market participation are not.

Strong criticism is also directed towards those who have never worked, and whose parents and their families have been in long-term receipt of welfare benefits. These are the individuals who may be considered part of an intergenerational culture of welfare dependency. Senator Knowles, for example, commenting on the past performance of the Labor Party on welfare reform, stated:

It is the... Labor Party that created a system of intergenerational welfare dependency, where people would go from the cradle to the grave never having earned a dollar other than welfare. There was intergenerational welfare from one generation to the other to the other [sic], and they were proud of it (Senate, 29th September, 1999: 9141).

The individuals belonging to this group are likely to be viewed more sympathetically than those identified as ‘welfare cheats’. In speaking about individuals in receipt of welfare who may have grown up in families who have never worked and have

pursued a so-called leisurely lifestyle, the Senator assigns blame to the structures of government rather than to individual choice. The second account offers a more sympathetic view of the interaction between agency and structure because it places the individual within their social environment outside the welfare state. They are more likely to be perceived as 'victims' of their environment: the 'dutiful but defeated' (Mead, 1991 in Pierson and Castles, 2000: 109).

More recently, people with disabilities and single parents have been the targets of reform. Since the 1st July 2006, these individuals have faced new participation requirements that are designed to move them into work, including that which is insecure and offers little in the way of a career structure. These most recent reforms are indicative of an increasing shift in emphasis on the agency of individuals and the perceived choices recipients make about their labour market participation.

Irrespective of the emphasis given to individual agency and wider social structures for explanations of welfare recipient's labour market exclusion, the policy response is essentially the same. The approach has been, and continues to be, the introduction of paternalistic policies designed to guide and direct behaviour and to punish individuals for non-compliance.

Based on tradition

Welfare reform measures introduced by the Howard Government reflect the social ideals of an earlier period in time. It is clear from the analysis of documents that the government is committed to traditional views of work, which is evident by references to a strong 'work ethic' and charitable but suspicious views of the poor.

The government's commitment to a strong work ethic is a consistent theme running through the welfare reform program. The entire policy agenda is based on the assumption that labour force participation and employment is a desirable objective for all workforce age Australians. 'Hard work' is upheld as the pinnacle of active participation in society, with distinctions drawn between the 'hard working taxpayers of the country' and welfare recipients. Significantly, the notion of a 'strong work ethic' has been extended in current welfare reform. Participation in paid labour and a commitment to work was once considered a means to financial independence rather

than being an end in itself (Saunders, 2002b). The change in emphasis cannot be understated because:

... it represents a fundamental shift in the foundations of welfare policy, away from issues associated with people's economic circumstances... towards their labour market circumstances (Saunders, 2002b: 227).

There is also much evidence that the current welfare reform agenda resonates with the Poor Laws of the 19th century and to notions of welfare dependency. Like the Poor Laws, the provision of welfare is no longer considered a central function of government, with social welfare comprising little more than a last resort safety net for those who can demonstrate they deserve assistance. Moreover, current welfare reform is underpinned by a suspicion of fraud and of cheating the system, with welfare recipients needing to be watched closely¹¹.

Role of the state

Welfare state dis-empowers and acts as a disincentive to work

Evidence of belief that the welfare state dis-empowers recipients and acts as a disincentive to work is reflected in the language of 'welfare dependency'. Its eradication is one of the principal aims of reform and it appears consistently throughout all of the documents. The metaphor-like language is used as a mechanism to create an atmosphere of moral pathology in welfare recipients. The term conjures up images of those in receipt of welfare as helpless individuals with little direction in their lives, dependent upon support. In so doing, the term problematises the provision of welfare payments to some sections of the population.

The Howard Government's belief that the welfare state has led to 'welfare dependency' is evident in the following quotations:

The social security system has... contributed to the growth in welfare dependency... it does not have a sustained focus on helping people move beyond reliance on income support to self-sufficiency. Some parts of the system still create work and savings disincentives... In short, it still does too little to prevent and discourage welfare dependency (Newman, 1999b).

It is very clear to this government that the Australian people want a modern social support system. They want one in which everyone participates. They do not want a system that simply passes over money – simply gives out handouts –

¹¹ This point is explored more extensively under the section entitled 'policy solutions'.

and they do not want a system that forgets about people and leaves them behind (Vanstone, 23rd May, 2001, *Hansard*).

The solution to so-called welfare dependency is to change the structures of the state to ensure that people change their behaviour to comply with the new participation requirements.

Stress on individual responsibilities rather than collective responsibilities

The welfare reform measures implemented by the Howard Government stress the individual responsibilities of welfare recipients over and above the collective responsibilities of the state, and society more generally. As discussed above, the government's welfare reform agenda acknowledges the influence of structural arrangements upon participation, but the solution to 'welfare dependency' lies primarily in altering people's behaviour. The means by which the government proposes to do this is by instilling the idea of a 'social contract' between those in receipt of welfare payments and the state (Kerr and Savelsberg, 1999). This contract is justified in the language of 'mutual obligation': the idea that welfare is no longer given freely and without some form of reciprocation.

As it applies to policy, mutuality is predominantly on the part of the unemployed, not of business and government. Even though both versions of the 'McClure Report' express a commitment to extending obligations to government and business, these institutions are treated very differently. The final version of the report (McClure, 2000b), for example, refers to the accumulation of human, financial and social capital in disadvantaged communities, and emphasises the responsibilities that business and government have to the unemployed. For the Reference Group, the idea of mutuality was largely reciprocal:

In relation to the social support system, the Reference Group supports the adoption of a broad interpretation of the concept of mutual obligations, which we see as being underpinned by the concept of social obligations. Under this broad view of mutual obligations there should be a recognition that government, business, communities and individuals are held together by a web of mutual expectations which, in some cases, should be made requirements (McClure, 2000b: 32).

How this has transpired into practice is to focus on the personal attributes and capabilities of welfare beneficiaries rather than on building the capacity of communities and business more broadly.

Policy solutions

Limit state intervention

There is evidence that the government is committed to reducing state intervention in the functioning of the economy and society, and to the idea of absolving itself of responsibility for welfare. The phrase 'safety net' appears consistently throughout all of the documents. It is the government's intention to provide welfare as a point of last resort, acting as a 'safety net' to catch those who are unable to help themselves, while at the same time shifting responsibility for welfare to individuals, their families and their communities.

The government is not, however, strictly committed to limiting its role in providing welfare or reducing levels of expenditure on welfare provision, because the means by which the government proposes to limit state intervention requires significant expansion of administrative services and the associated injection of funds required to finance it. In other words, the government's agenda is not committed to limiting state intervention in the provision of welfare *per se*, but rather, is committed to a different type of intervention that is designed to guide and direct income support recipients' behaviour by making income benefits contingent upon fulfilling certain activities. This structural shift in the arrangement of welfare that amounts to more than simply taking money away from the system is reflected in the following quote taken from the government's 'Statement on Welfare Reform' (Department of Families and Community Services, 2000: 4):

The Government does not view welfare reform as a cost cutting exercise; rather, as a structural change designed to reduce welfare dependency through greater economic and social participation. Full implementation of reform will require a substantial upfront investment of budget funds. Unless we make this investment, significant sections of the population may be excluded from the benefits of social and economic participation.

Lower financial cost

One of the rationales for reform is containing the costs of welfare so that the income support system remains affordable and sustainable. This has been attributed to changing social, economic and demographic conditions over the last three decades that have placed increased pressures on the welfare system. Such changes include ageing of the population, changing family structures including increased labour market participation among women and early retirement, changing community expectations about the role of government, and technological changes in the health care sector that have increased demands for the new forms of care they create (Joumard, Kongsrud, Nam and Price, 2004: 113-114).

It is evident that welfare expenditure has increased substantially in Australia since 1980. By 2001 Australia had increased its commitment to welfare, as a percentage of GDP, from 11.32 per cent to 18.0 per cent (OECD, 2004, SOCX time series database). While it may appear that the government has good cause for concern, the increase does need to be considered in a wider context. Expenditure on welfare has increased for all OECD countries¹² and Australia's position as a 'welfare laggard' remains. In descending order, the same data ranked Australia as the 8th lowest welfare spender out of 29 OECD countries (OECD, 2004, SOCX time series database).

The government's commitment to reducing social security payments is reflected in terms such as 'efficient targeting' and 'reducing costs'. In her speech to the National Press Club, for example, Jocelyn Newman raised concerns about the amount of money being spent on welfare by drawing attention to the reported \$50 billion being spent each year on payments and services, which represented about a third of total budget outlays (Newman, 1999a). Similar concerns were reflected by Senator Vanstone:

We want to ensure that the social security system remains affordable and sustainable. With 6 million clients, we understand that if every one of them has just \$4 a week extra that amounts to \$24 million. We simply cannot afford for people to have more money than they are entitled to and we certainly cannot afford to have unentitled people claiming benefits (Senator Vanstone, Minister for Family and Community Services, Questions Without Notice, Senate, 13th February 2002: 178).

¹² With the exception of the Netherlands and Ireland.

Significantly, efforts to reduce costs have been, and continue to be, directed towards reducing the level of payments to welfare recipients. While politically it would be difficult to reduce the actual amount recipients receive, under the reforms benefits and services have become increasingly targeted, with many recipients being classified under new participation requirements (Department of Employment and Workplace Relations, 2005a). The effect of these changes is likely to be a reduction in expenditure on welfare benefits as people find new limitations on their entitlements and these entitlements become more difficult to access. There is even evidence to suggest that some individuals will find the participation requirements too difficult and opt out of income support altogether, because increasing the number of administrative barriers that people have to get through to access benefits acts as a disincentive to obtaining that benefit. In a recent study, Moses and Sharples (2000: 17 in Schooneveldt, 2004: 159) estimated that for 27 per cent of recipients 'the system just becomes too hard and... they turn instead to relatives, the welfare sector or crime for support'.

Savings on welfare are being made in other areas. Many employment programs have been outsourced to the private sector and not-for-profit organisations. There are now over 200 non-government providers delivering a range of employment services across Australia, which the government maintains is at a substantially lower cost than previously (Commonwealth of Australia, 2002b: 17-18). Nevertheless, it seems unlikely that expenditure on welfare will decrease significantly, as any savings on benefits are likely to be spent elsewhere.

As identified earlier, the government's immediate concern is not strictly with lowering the financial costs of welfare, but rather redirecting money towards increasing administrative measures. In particular, significantly large amounts of money have been directed towards monitoring and surveillance activities, including the employment of large numbers of administrative staff, training, and expansion of assessment and referral services. The measures proposed in the *AWT* package include, for example: employing an additional 850 new Centrelink Personal Advisers; the introduction of a new intensive assessment period; increased use of external expertise to assess people's capacity to work; the introduction of a Training Credit and the introduction of a Working Credit (Vanstone and Abbott, 2001).

Punish and coerce the poor into behaving

A strong and consistent theme throughout all of the documents is support for the expansion of punitive measures to coerce the poor into behaving. The appropriate policy response to 'welfare dependency', it is believed, is to enforce participation by increasing surveillance of income support recipients by increasing the volume and powers of welfare administrators, and to apply financial penalties to those who fail to behave in the prescribed ways.

Participation is enforced through a series of 'contracts' and 'activation agreements' such as Work for the Dole, volunteer work, approved study or prescribed job-search activities. Compulsory job-seeker diaries and interviews, Activity Tests and punitive 'breaching' systems have been implemented to coerce people to 'give something back' (Schooneveldt, 2004: 158). Breaching penalties have been administered extensively. For the three month period between October 2005 and December 2005 for example, a total of 31 177 welfare beneficiaries were breached, most of whom were penalised for failing to attend an interview with an employment adviser (Centrelink, 2006: 182).

Implicit in the welfare reform package is a sense of benefit to the unemployed through compulsory work or training, but the extent to which programs such as Work for the Dole will improve employment outcomes remains questionable. Its emphasis on generic work skills is unlikely to provide the sorts of skills and training that many unemployed individuals require to enter into stable employment (Moss, 2001: 7). The sorts of jobs it might lead to are low-skilled, low-paid jobs that tend to be insecure and provide little in the way of long-term social and economic wellbeing. The link between benefit and participation can thus only be considered punitive in that it is an enforced arrangement that has negligible outcomes for many welfare recipients.

Nor is the incentive factor that underlies mutual obligation policies necessarily working to get unemployed people back into the workforce. Schooneveldt (2004), for example, found that breaches did not act as an incentive to ensure compliance with Centrelink administrative and activity requirements to avoid further breaches. The government's own evaluation report into the *AWT* package found that 'there was no significant change in income support reliance and participation in paid work'. The

response to this finding was to recommend the extension of compulsory participation requirements among welfare beneficiaries. Specifically, the report concluded that:

... the voluntary nature of many of the *AWT* measures suggests that greater increases in participation rates may depend upon the introduction of compulsory requirements (Department of Employment and Workplace Relations, 2005a: 28).

Alternative explanations that may be found in the structure of the labour market were missing from the document, effectively conveying and reinforcing the idea that unemployment is attributable to behavioural deficiencies of the unemployed rather than in the demand side of the labour market. The report's findings are illustrative of the conversion process in that they effectively serve to strengthen the government's direction of reform by claiming that the shortcomings of the policy lie not in the general thrust of the policy itself, but rather, the policy is not meeting its objectives because it has not been implemented widely enough. The findings also raise serious questions about the underlying rationale for reform, suggesting that social divisions and the marginalisation of some unemployed welfare recipients may be intentional divisions that serve to maintain class-based interests and the need for reforming the system.

The government's commitment to increasing measures of surveillance and control is reflected in the following quotation from Mr Truss, Minister for Agriculture, Fisheries and Forestry, National Party:

...we are currently reviewing tenders for the enhanced investigative optical surveillance arrangements to improve the capacity of Centrelink to seek out those who are involved in elaborate scams which are resulting in their receiving payments to which they are not entitled (Mr Truss, *Hansard*, 8th June 1999: 6262).

Such measures complement its commitment to guiding and directing income recipients' behaviour. It reflects the level of suspicion of fraud that the state has for some individuals on welfare, and offers further evidence of the government's belief in an 'underclass' of devious individuals who need to be watched over and directed to behave in more desirable ways.

The perception of fraud is strong and there exists an extensive network of fraud detection measures. Measures include regular payment checks, identity checks, inter-

agency compliance activities and sophisticated data matching¹³. So committed is the government to surveillance of income recipients that it has made an industry out of fraud detection. In May 2002, for example, the government issued the then new *Commonwealth Fraud Control Guidelines*, which updated the Commonwealth's existing fraud control policy to take into account developments in the areas of corporate governance, business practice and fraud control (Centrelink, 2003). One of the criteria set out in the *Guidelines* was for staff to have relevant qualifications for investigating fraud. Centrelink has also invited members of the public to be part of the surveillance process through their website where they can 'dob in a welfare cheat'.

Summary and conclusion

The purpose of this paper was to examine the ways in which the underclass thesis is being used in current welfare reform, and the extent to which it legitimises contemporary social divisions and the marginalisation of some sections of society. As evidenced in the analysis of policy documents, current welfare reform is based on pejorative assumptions about the behaviour and morality of some sections of society. The problem of welfare dependency is located with individuals themselves and a passive welfare system. Welfare beneficiaries are assumed to be at risk of moral hazard from a temptation to abuse entitlements, as reflected in Murray's (1984, 1994) arguments, or they are assumed to be the poor with the most severe behavioural problems, as reflected in the work of Mead (1986, 1991, 1992, 1997).

The findings show that conservative claims of an underclass are reflected in the normative views of policy makers and that these have been converted into practice at the administrative and operative levels of policy formation. Policy framers deliberately intend the present system of welfare to coerce some people into behaving in prescribed ways and to exclude those individuals who do not. Through a process of

¹³ Data matching is conducted by Centrelink with a number of Commonwealth, State and private bodies, including the Australian Taxation Office, the Australian Securities and Investment Commission, universities, TAFE colleges, and private education and training providers (Centrelink, 2003; Centrelink, n.d., b, c). Other checks and reviews of entitlement include: Child Care Service Operator Reviews, which are conducted on child care centres; Accredited Claimant Matching, which is an automated weekly checking system of payment beneficiary records against Centrelink records; Pensioner Entitlement Reviews, which allow pensioners to update their records; International Project Reviews, which check the payments of welfare recipients living overseas; Duration Reviews, which are conducted at regular intervals to ensure a customer's ongoing entitlement to payment; and Other Risk Reviews, which include reports from the public and the evaluation of ongoing entitlement (Centrelink, 2002: 3).

conversion, welfare dependency has been defined and attenuated in the political, administrative and operative spheres and converted into a private issue to be addressed at the individual level. This process legitimises people treating welfare recipients differently because they have been unable to maintain a standard of wellbeing through paid employment. It directs attention away from the state and policy makers' capacity to strive towards an economy that provides secure employment for all, and obviates the need for governments to intervene in the functioning of the economy to improve employment outcomes. The influence of the underclass thesis on policy is such that it reinforces the perceived need for current welfare reform measures and legitimises the marginalisation and exclusion of some individuals from mainstream society.

The findings raise important questions about how far policy should go in directing individuals' activities and to what extent a policy of surveillance means the curtailment of democratic practices. These questions are not limited to Australian social policy but extend to the social policies of other developed nations as well.

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