

Evaluating Social Justice in Australia

By Bruce Duncan

The Ends and Means of Welfare: Coping with Economic and Social Change in Australia,

by Author: Peter Saunders

Peter Saunders has produced an exceptionally important overview of Australian social policy in his latest work, aptly named: *The Ends and Means of Welfare: Coping with Economic and Social Change in Australia* (Cambridge University Press, 2002, pp.300). Saunders is Professor of Social Policy and Director of the Social Policy Research Centre at the University of New South Wales, and well known for his contributions in this field.

The Ends and Means of Welfare offers a comprehensive and detailed evaluation of social policy in Australia, moving from debates about competing philosophies of the welfare state, to chapters on employment; income and living standards; poverty and exclusion; inequality; and the emerging context for welfare reform.

Saunders focuses his work around a critique of 'economic neo-liberalism', also known as 'economic rationalism', a philosophy based on libertarian individualism and which has driven much of the recent economic change but at the price of greater inequality and hardship for lower-income groups (p. 8). Despite Australia's traditional 'fair go' ethos and the fact that national wealth grew by more than one-third during the 1990s, 'the statistics tell a story of

deep poverty amid growing affluence, of deprivation and wealth, or exclusion and privilege, of discrimination and opportunity'. Almost 700,000 workers had been retrenched in the three years up to July 1997, and by 1999 nearly 200,000 had been unemployed for more than a year (p. 3-4), though this dropped to 150,000 by April 2001.

His 'basic purpose' is to challenge the view that economic forces can ignore the social consequences of their decisions. Instead he argues that economics or the market mechanism must not be seen as an end in itself but as a tool to promote social progress and the 'good society'. Economic neo-liberalism has mounted a strong assault on the structures of the welfare state, but Saunders believes that it is now impossible to go back to the previous situation, and argues instead for a new balance between market forces and social concerns of poverty and disadvantage (p. 10).

Saunders denies that economics is a purely technical and value-free discipline, arguing that the social goals of economic policy imply values and norms which inform public debate and legitimacy. 'Economists have been very effective at portraying themselves as technocrats, leaving it

to others to determine which judgments should inform social choices, yet most economic reform proposals have major distributional implications that are rarely mentioned' (p. 44).

The author recognises that 'the ends of policy are a matter for philosophical reflection on the nature of social justice' (p. 55), while the means of policy must be informed by sound research about how to embody such values in practice.

Saunders is critical of the shift in neo-liberal rhetoric about the welfare state, so that emphasis is given to so-called 'welfare dependency' rather than the alleviation of poverty. He argues that this is to shift the public perception so that it is not government that is seen to have failed to address poverty, but those who rely on income support (p. 57).

'By shifting the emphasis onto the purported causes of unemployment, governments were able to pursue economic policies that resulted in high unemployment while arguing that unemployment was symptomatic of misguided social policies rather than inappropriate economic policies. The welfare state has still not recovered from this attack' (p. 97).

Saunders advances his argument by carefully examining studies of public perceptions of issues around

the welfare state, and particularly notes that the great majority of people do not agree that the unemployed are to blame for their situation, but want governments to do more to create employment, particularly for older unemployed people and those with children (p. 106-110).

The chapter on 'Poverty and Exclusion' laments that 'there is little evidence that poverty research has any impact on the views of government'. 'The official response to poverty research has been to ignore it, to deny the existence of poverty or to argue that the measurement ambiguities make estimates of poverty arbitrary and thus of no use for policy.' Saunders makes an urgent call for a new consensus on the measurement of poverty, and instances how in Ireland well-conceived research has led to significant measures to reduce poverty (p.143-44). He discusses the difficulties with measuring and defining poverty, in both its subjective and objective dimensions, and adds the

notion of social exclusion as a key aspect.

Chapter 7 acknowledges that inequality is more complex than poverty, and raises difficult issues of distributive justice. It does not discuss the distribution of wealth, 'in large part because so little is known about the distribution of wealth in Australia' (p. 178). Saunders argues that there need not be a trade-off between efficiency and equity, and that policies to increase equity may indeed lead also to greater economic growth (p. 182).

After a detailed analysis of the growing economic inequality in Australia, Saunders suggests that public perceptions of the need for further redistribution of income rested on a

misperception that underestimated the extent of inequality in Australia, which was not low by comparison with most other OECD countries (p. 203). Surveys showed that very few people (5.9 per cent) placed themselves in the bottom two deciles of income distribution and, astonishingly, almost no one (0.8 per cent) placed themselves in the top two deciles. More than three-quarters of respondents (76.5 per cent) put themselves in the four middle deciles (p. 204).

As Saunders argues, many Australians are thus poorly informed about how their incomes compare. 'Media accounts of middle Australia

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"doing it tough" thus provide a misleading picture of how the income distribution has actually been changing to many who mistakenly think that the account applies to them' (p. 205).

Rather than upper-income and lower-income groups benefiting at the expense of those in the middle range of incomes, the so-called 'disappearing middle', Saunders argues that upper-income groups have increased their incomes significantly during the 1990s while others have had falling shares (p. 191). However, income taxes and social security payments reduced the inequality by about one-third (p. 190). Inequality has also been increasing because unemployment is concentrated within families,

with a significant percentage of children living in jobless homes - almost one in five by 1998 (p. 199).

Saunders regrets the reliance on US models of welfare reform which have forced people into jobs but at wages so low that many are still in poverty (p. 228).

If Australia is to have effective social reform, Saunders concludes, the first step must be higher taxation to fund it, particularly on high-income earners, but this will need a 'new welfare discourse that emphasises its positive contributions to social justice, risk management and economic efficiency' (p. 248). He believes that the 'neo-

liberal agenda of targeting, privatisation and mutual obligation is a recipe for the eventual demise of state welfare' (p. 150).

Instead he argues for effective minimum wages, a greater commitment to financing adequately labour-market programs, wage subsidies, the expansion of public employment, especially in health, education and community services, and more effective

taxation, including some form of capital transfer, especially of the very rich (p.256). Saunders also argues for a redistribution of work, for if hours worked were limited to 48 per week, an additional 126,000 jobs of 39 hours a week could be created.

The Ends and Means of Welfare is thus a substantial contribution to the debate about Australia's social policies, and deserves wide and serious consideration for the measures it proposes to promote greater social equity. It displays a firm grasp of the literature, makes extensive comparisons with other OECD findings, is amply illustrated with charts and figures, and provides an excellent bibliography. ❖