

**AVERTING THE CRISIS – OR AVOIDING THE
COMPROMISE?**

**A Regulation Approach to Social Inclusion Policies and
Practices in the Australian Context**

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Thesis submitted for the degree of

Doctor of Philosophy

**Gender, Work and Social Inquiry, School of Social Sciences
Politics, School of History and Politics**

University of Adelaide

August 2008

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ABSTRACT

The South Australian Rann Labor government elected in 2002 became the first in the nation to address 'social exclusion' through the implementation of a Social Inclusion Initiative. The increasingly popular term 'social exclusion' was first used overseas in the early 1970s to describe serious symptoms of socio-economic disadvantage linked with global economic restructuring. Taking the South Australian policy initiative as a point of departure, this thesis provides a multi-layered analysis of social exclusion discourses and policy approaches, exploring their significance in the context of Australia's shifting welfare state terrain. In so doing, the thesis seeks to break new ground both at general theory and specific case study levels by utilising a regulation approach (RA) to test the research hypothesis that 'social inclusion' policies are reflective of a transitional neoliberal (or, in some instances, Third Way) mode of social regulation which is inadequate to arrest rising socio-economic inequality linked to the collapse of the post-war 'Fordist-Keynesian' consensus. The cross-disciplinary regulation approach is a method of inquiry used to analyse spatially and temporally specific shifts in phases of capitalist accumulation and the different policy and institutional arrangements that support accumulation in each phase. The complex and interrelated institutional shifts at the Australian national level are critical to understanding the origins and impact of 'social inclusion' policies. Hence the adoption of this type of policy approach at the South Australian state level is considered in a broader national political economic context where the phenomenon of social exclusion is located within national welfare to work reforms. By applying a regulationist lens to examine the global concept of social exclusion in a local and broader national setting, the thesis offers empirical evidence to one of the 'missing links' in the 'post-Fordist' literature. That is, it contributes to the debate about whether nascent neoliberal or Third Way modes of social regulation have potential to stabilise capitalism's inherent crisis tendencies, or whether they merely extend a period of institutional searching. The thesis concludes that the South Australian Social Inclusion Initiative in various ways appears to be not only partial and inadequate in its own terms, but fundamentally in conflict with the South Australian government's broader policy objectives. In short, it shows that the Initiative has inadequate capacity to address the impact of global structural changes that have caused the polarisation of wealth and increasing poverty. Furthermore, it is argued that this approach attempts to suppress

class dissent by silencing potential critics, and fails to intersect with or compensate for national level policies which have served to depress wages and simultaneously reduce the welfare safety net. It is concluded from these findings that these policies do not have the capacity to contribute to an equitable or sustainable new mode of social regulation. The thesis argues that a more comprehensive approach to 'social inclusion' is required in the post-Keynesian era and proposes further research to this end.

DECLARATION

This work contains no material which has been accepted for the award or any other degree or diploma in any university or other tertiary institution and, to the best of my knowledge and belief, contains no material previously published or written by another person, except where due reference has been made in the text.

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Roslyn Ann Averis

Date:

ACKNOWLEDGEMENTS

Many people have provided valuable guidance, support and friendship during the development of this PhD thesis. Throughout my candidature my supervisors Ray Broomhill and Greg McCarthy have been ready listeners, constructive critics and constant in their encouragement. I am indebted to both for their input, insight, for having the confidence in my capacity to bring this complex and challenging project to its completion, and for assisting me to secure the Australian Postgraduate Award which has supported this study. Thanks also to the people who participated in my research and contributed to my thesis by sharing their views and experiences during interview. A number of my colleagues on their own PhD journeys – Jane Andrew, Kathryn Davidson, Keri Chiveralls and Jenny Czernezckyj – also deserve special thanks for providing friendship, care and motivation through the moments of doubt and frustration. Many others have contributed in various ways to my overall wellbeing over the last few years: particular thanks go to Kathie Muir, Marg Allen, Margie Ripper, Chilla Bulbeck, Sue Oakley, Andrew Hughes, Thalia Palmer and Sarah Hoggard in the discipline of Gender, Work and Social Inquiry for pulling out all the stops to provide such a rewarding working environment. Collegial interaction on many levels has both nourished the intellectual process and provided respite through more socially-oriented activity. In this regard I would also wish to acknowledge the friendship of Stewart Sweeney, Jessie Shipman Gunson, Alia Imtoual, Pam Papadelos, Anne Morris, Tomoko Hidaka, Anne Burger and the team at the Australian Institute of Social Research. Thanks also to fellow PhD students past and continuing for helpful comments and contributions during the GWSI seminar program. Finally, to my partner Norm Tate, thanks for your love, patience, thoughtfulness, practical support on the domestic front, and simply for being there.

INTRODUCTION

Once the market organization of industrial life had become dominant, all other institutional fields were subordinated to this pattern; the genius for social artefacts was homeless.

Karl Polanyi (1944:121)

Behind Australia's affluent and egalitarian façade is a nation divided by polarising economic circumstances. While some people thrive on the bounty of economic growth, others struggle to maintain a meagre existence because of material deprivation and its associated pressures. It has become fashionable of late for policy makers to represent these latter problems as forms of 'social exclusion'. For any government committed to social progress, the presence of poverty and inequality in society provides just cause for remedial intervention, not only in the interests of social justice but also to maintain social cohesion. Following its election in 2002, the Rann Labor government in South Australia became the first in the nation to address 'social exclusion' through the implementation of a Social Inclusion Initiative. Taking the South Australian policy initiative as a point of departure, this thesis engages with social policy and social theory to provide a multi-layered analysis of social exclusion discourses and policy approaches, and to explore their significance in the context of Australia's shifting welfare state terrain. In so doing, the thesis utilises a regulation approach to test the research hypothesis that 'social inclusion' policies reflect a neoliberal mode of social regulation¹ which, in current form, cannot be as broadly inclusive of society as the 'Fordist' class compact of the post-war era. If this is so, policies of this type can have only limited potential to institutionalise longer-term social and economic sustainability.

Following the severe global economic downturn experienced in the 1970s, Australia, like other western governments, has increasingly abandoned the Keynesian-Fordist-type policies of the post-war years and adopted neoliberal policy conventions to stimulate growth. Yet many commentators argue that this policy environment, which privileges market institutions over

¹ The 'mode of social regulation' is a key term within regulation theory which is elaborated in Chapter 5 of the thesis.

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social investment, has made it more difficult to achieve social justice outcomes. Over the past few decades of market encroachment, economic growth has been attended by social retrenchment – evident in increasing inequalities across the population (see, for instance Argy 1998; Bessant, Watts, Dalton and Smyth 2006; Conley 2004a; Jamrozik 2005; Saunders 2002a; Stilwell 2000; Wiseman 1998). In fact, from some perspectives, inequality has been sanctioned as a fair trade-off for economic growth (7.30 Report 2003a; Conley 2004a; Wiseman 1998:68, citing O'Farrell). Australia is not isolated in this regard; the tendency towards widening social and economic inequalities elsewhere is well established (Doward, Reilly and Graham 2003). Why then, are the effects of this polar divide now widely referred to as forms of 'social exclusion'?

The phenomenon of social exclusion can be understood on many different levels (Burchardt, Le Grand and Piachaud 2002). During the 1990s, combating 'social exclusion' emerged as a policy objective in Europe following widespread social decline which was attributed to the onslaught of policy choices rationalised by neoclassical economics theory (Bessis 1995). It later became associated with the political centre-left through the Blair New Labour Government's highly publicised Social Exclusion Initiative (Carmichael 2001). However, neither in theory nor in practice is it the exclusive province of the centre-left. It continues to be a contentious concept which has become the locus for a political, intellectual and ideological contest about societal norms, citizenship rights and protections (Silver 1994). The British model, focusing on lifting obstacles to individual 'opportunity', breaks with traditional social democratic thinking about social inequities and how they should be treated. This contrasts somewhat with the relatively more progressive EU approach where formal social protocols and progressive legislative reforms have been introduced to reinforce member states' obligations to protect citizenship rights (Carmichael 2001).

In the Australian national context, origins of the term 'social exclusion' can be located within neoliberal discourses on social security and welfare reform. A review commissioned by the Howard Liberal-National Coalition in 2000 associated social exclusion with 'welfare

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dependency' and recommended an extension of the 'mutual obligation' regime to a broader range of welfare recipients (McClure 2000). Ironically, as is argued, the greatest threat of social exclusion arises from this nationally-administered regime of labour enforcement for welfare beneficiaries. Under this policy, non-compliance with mutual obligation requirements can result in immediate removal of social security payments, leaving some of the nation's most vulnerable people without any form of income support at all. Evidence has shown that the so-called 'breaches' of requirements have been for arbitrary and quite unjustifiable reasons (Eardley, Brown, Rawsthorne, Norris and Emrys 2004). As of March 2008, the national unemployment rate was officially deemed to be 4.0 percent and has been under 5 percent for some time (ABS 6202.0 Labor Force 2008). The availability of work is therefore no longer regarded as a real problem for macro-economic policy in dealing with 'joblessness'. Yet as Pocock and others point out, when the headline unemployment figure is disaggregated, a more complex picture emerges of the restructured contemporary labour market: spatial pockets of intractable long-term unemployment; widespread part-time, temporary, casual and insecure forms of work; significant under-employment where people would like to work and be paid for more hours; low pay issues for various groups of people particularly some women; and churning between income support and precarious employment (Pocock and Buchanan 2003; Pocock and Masterman-Smith 2005).

The effects of authoritarian federal welfare to work policies have been manifested locally as threats to the livelihood of individuals and their families. In South Australia, Mike Rann, as Labor Opposition leader, recognised prior to the election in 2002 that many people were facing challenges which prevented their participation in social and economic activities that others take for granted. He made a commitment that, if Labor were elected, his government would implement a new initiative, based on the British 'social exclusion' model, which would address the causes, not just the symptoms, of social exclusion in the State (Rann 2000). The Social Inclusion Initiative was duly established immediately after Labor took office in March 2002. The Initiative employs a 'joined up policy' approach to address local disadvantage and to tackle a range of specific social issues that affect marginalised individuals and certain groups. These

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initiatives target– amongst other issues – homelessness, school retention for disadvantaged students, drug abuse, Aboriginal health, juvenile offending, and mental health. Often problems are multiple, interrelated and cumulative, and intergenerationally transmitted. However, without denigrating the value of this sort of social policy intervention, or the attempt to revitalise a social agenda after years of neglect, it is contended in this thesis that this approach can at best ameliorate market excesses in a piecemeal way. In Britain social exclusion policies were adapted to New Labour's Third Way approach to governance. Critic John Hinkson argues that 'the Third Way treats social exclusion as a matter of social policy without resort to an account of the structure of global society' (Hinkson 1999:10).

In Australia neither the welfare policy approach at national level nor the local policy initiative fully acknowledges the broader structural issues driving 'social exclusion'. If neither provides an effective strategy to accommodate the social reproduction of labour which is so essential to the support of the market sector of the economy, to what extent can this same sort of criticism be levelled at social exclusion discourses and policy application in an Australian context? SA Labor had been in Opposition for eight years. Coming back to government in 2002, it inherited an environment that had been reshaped substantially by conservative politics at both federal and State levels. By that time, 'social exclusion' policies had elsewhere been embraced by parties on the political left in Europe. As such, the implementation of a new social policy initiative at regional state level presented an ontological curiosity for serious investigation, a unique opportunity to examine what 'social exclusion' meant in the specific context of the State Labor government's social and economic objectives, and in the broader context of national macro-economic policy developments associated with globalisation.

This thesis employs a regulation approach as an appropriate methodological framework through which to analyse, through theory and empirical observation, the structural developments giving rise to widening socio-economic inequality and the corresponding emergence of social exclusion discourses and policy responses. The regulation approach is a method of research inquiry which encourages a cross-disciplinary investigation of evolutionary shifts within the

capitalist system. Regulation theory follows a Marxist tradition and employs many of its key concepts. However it has a particular focus on the changing institutions, both formal and informal, that, in temporarily moderating class-based conflicts, regulate capitalism's erratic phases of growth, crisis and renewal. The theory was initially pioneered in the 1970s to explain the stability of the post-war 'Golden Era' of capitalism. Subsequently it has been utilised to analyse the turmoil which has followed that period as the reassertion of neoclassical economics has promoted market hegemony to displace post-war Keynesian policies (Aglietta 1976; Broomhill 2001:117-118; Lipietz 1987a). A broad and diffuse research program has since developed around the various strands of regulation theory, and several different schools of thought are represented across the social sciences spectrum in examining processes associated with the globalisation of capitalism (Jessop 2006a)².

Regulation theory's institutional emphasis offers a method to explore the salience of contemporary social policies in supporting the capital accumulation process. For Peck and Tickell (1995:365) '[a] critical silence in much of the post-Fordist literature – perhaps *the* critical silence – is the issue of social regulation [original emphasis]'. Social policies form an important component of the regulationist 'mode of social regulation', the technical term used in regulation theory for a relatively coherent regulatory mix that gives capitalism stability, if only temporarily, over specific periods. The Fordist³ epoch, for example, was underpinned for almost three decades by Keynesian welfare state policies (Peck and Tickell 1994). Policies associated with Keynesianism, however, have been gradually disbanded, with many western nations having adopted neoliberal policies to a greater or lesser degree, including the 'softer' Third Way version which nonetheless continues to exert constraints on social objectives (Jessop 2006b). Debate ensues as to whether the current era is a new hegemonic phase of capitalism characterised by sophisticated information and communications technologies, knowledge-based practices,

² Aspects of regulation theory are examined in Chapter 5 drawing primarily on the work of sociologist Bob Jessop, a prominent regulation theorist from Lancaster University, and regulationist geographers Jamie Peck and Adam Tickell from the University of Wisconsin-Madison and the University of London respectively.

³ Regulation theory can be distinguished from theories of 'post-Fordism' in general, the critical difference being that the former places particular emphasis on social aspects of the capitalist system, rather than new forms of post-industrial production (Tickell and Peck 1992).

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global-local networks, flexible production techniques and new divisions of labour, or whether these developments symbolise a phase of transition (see, for example Amin 1994; Boyer 2000; Boyer and Saillard 2002 [1995]; Burrows and Loader 1994; Digiovanna 1996; Jessop 1999b; 2000; 2002b). Similarly, the existence, or otherwise, of a coherent mode of social regulation is one of the key issues within this regulationist debate, as neoliberal policies with a greater emphasis on authoritarian forms of social control are argued by some to be a destabilising influence rather than the reverse (Peck and Tickell 1994; 2002; Tickell and Peck 1992). This thesis accordingly seeks to contribute to new knowledge by extending the search for one of the 'missing links' in the accumulation meta-schema beyond the 'Golden Era' – an incipient mode of social regulation capable of stabilising a new model of capitalist development (Tickell and Peck 1992; 1995). In particular, do 'social exclusion' policies adopted by governments form part of a stabilising 'social compact' in the current economic paradigm, or do these policies simply assist in prolonging a period of experimentation and institutional searching against a backdrop of pervasive economic ideology?

For regulation theorists, neoclassical economics theory presents a distorted perspective of capital accumulation processes because, in its failure to move beyond the abstract, it demands that social organisation be subjected to theoretical market logic (Aglietta 1976). In this way it supports neoliberal hegemony by locking out socially progressive alternative views. A regulation approach, in direct contrast, challenges neoclassical economic theory and thus neoliberal hegemony by examining concrete events through an historic prism to understand better 'if, how, when and where' a sustainable model might emerge (Tickell and Peck 1995:363, original emphasis).

The title of this thesis, *Averting the Crisis – Or Avoiding the Compromise?*, acknowledges the importance that regulationists place on capitalism's intermittent crises and conflicts and the institutionalised compromises that resolve them if only temporarily. The examination of *specific local and national level circumstances* assists in understanding whether crisis is likely to be averted by state actions, or conversely, whether in the accommodation of economic interests

the state has failed to secure the broadly shared social benefits which might promise longer-term potential (Tickell and Peck 1995:367). Regulation theory's historical emphasis enables examination of the circumstances in which hegemonic policy ideas emerge, migrate, become adapted to local contexts and either assist or constrain commodifying forces. This is what must be explained in relation to the local Social Inclusion Initiative in order to explore the research hypothesis stated above. That is, do social inclusion policies in Australia have the capacity to contribute to longer-term social and economic sustainability in a similar way to that of the Keynesian welfare state policies of the post-war era, or do they reflect an extended period of institutional searching by governments in their attempt to honour traditional social justice commitments? To what extent are they likely to promote or prevent increased social justice or equity?

Organisation of Thesis

The thesis progresses in three parts before concluding with a final chapter. The Prologue to Part 1 provides an economic-social profile of South Australia from the Playford era. This serves to map the main shifts in policy focus as Keynesian thinking came under challenge locally, and provides the context in which the Rann Labor government was elected to office. Part 1 is empirically focused and draws primarily upon interviews with research participants targeted on the basis of their presumed knowledge about, or connection with, the South Australian social inclusion agenda and its broader policy context. While offering some degree of analysis, this section of the thesis serves essentially as an introduction to the policy-making process underpinning the adoption of a local 'social inclusion' strategy. Part 2 steps back from the South Australian policy environment to probe the theoretical aspects of 'social exclusion', exploring both its historical significance and its salience in respect of the regulation theory research agenda. This analysis of the political economy of social exclusion, particularly with respect to regulation theory, lays the groundwork to undertake a more concrete analysis of Australia's institutional evolution towards a more commodified welfare state regime. This is the purpose of Part 3, which illustrates how institutional shifts in Australia's welfare state framework, or mode of

regulation, were given momentum by changes designed to enhance Australia's position as a global trading nation. It is intended to show how these shifts, introduced by the Hawke Labor government, created greater inequalities, and subsequently opened the way for an overtly aggressive assault on social conditions by the Howard Liberal-National Coalition. These changes to the macro-level Australian policy environment have had a significant impact on the fortunes of subnational states, so it is important to understand both the impact and its implications for South Australia's local 'mode of regulation'.

The final chapter of the thesis, *Averting the Crisis? Conflicts, Constraints and Contradictions*, provides a reflective assessment of the foregoing evidence in addressing the research hypothesis and key research questions synthesised from regulation theory in Chapter 5. As such it attempts to analyse the hypothesis taking a theoretically informed regulation approach, advance existing knowledge about modes of social regulation and social inclusion in Australia, consider the implications for South Australia's social inclusion agenda, and propose directions for further research.

Turning now to an overview of the chapters, Chapter 1, *Social Inclusion in South Australia: 'What's the fundamental problem?'* explores common themes and identifies perceived problems and contradictions and reflects on their implications. It reveals a process of 'institutional searching' by a centre-left government attempting to make its mark on social justice. The chapter examines why the model was chosen, what thinking informed it, who had a role, how and why certain 'problem' issues contributed to the agenda, and how political exigencies acted both to constrain and assist the choice of 'social exclusion' issues as well as the passage of their implementation.

Chapter 2, *'Joined Up Policy' to 'Joined Up' Practice: 'When Does the Rubber Hit the Road?'*, extends this discussion by examining in more detail the strategy underpinning the implementation of the policy and taking an explicit focus on aspects of what is colloquially termed 'joined up' working. That is, acting on the premise that social exclusion symptoms are

often multi-faceted and interrelated, the Social Inclusion Initiative foregrounds the idea of a cooperative and collaborative cross-agency, cross-community response to social problems. Social inclusion considerations, for the first time, would supposedly *drive* policy decision-making. Almost from the outset, the 'joined up' model created friction between the public sector and the Social Inclusion Board, and in turn friction between government and the public sector. Why should such a seemingly innocuous reform present such a challenge? Much of the evidence here points to a 'cultural collide' between former and current practices, and tensions between government's social and economic objectives. It is apparent up to this point that social inclusion policies seemed to be about the symptoms of social exclusion, certainly not the 'causes' that the government claimed it would address.

The research presented in the first two chapters revealed that several important structural issues had failed to gain attention as 'social inclusion' problems in South Australia. Taking the view that 'silences' can reveal as much as they conceal about government objectives, Chapter 3, *Poverty, Inequality and Unemployment: 'Don't Mention the War!*, sets these silences about structural issues within the broader South Australian policy context and considers the implications. This chapter explores some of the sources of rising socio-economic inequality within the State, highlighting also that various government strategies clearly appear to constrain, contradict or conflict with stated social inclusion goals. It is argued that, unless structural causes are addressed, inequality will provide fertile ground for social exclusion symptoms to ferment.

Chapter 4, *Ideas, Ideals and Ideology: Reflections on Social Exclusion*, begins the theoretical exploration comprising Part 2. The chapter develops an appreciation of the multi-dimensional characteristics of social exclusion, its connection with poverty, and causative factors. The analysis then draws upon Silver's (1994) sociological perspective which reveals that discourses of 'social exclusion' are culturally-embedded. Silver's work shows how the 'problem' of social exclusion becomes constructed in specific ways that align with and reinforce the norms, ideas and philosophies prevailing in different national contexts at different times. Equally, these interpretations and policy responses become challenged by countervailing ideas and forces,

including intellectual paradigms. In its English iteration, 'social exclusion' sits within a paradigm dominated by neoclassical economics and liberalist political ideology. Hence 'social exclusion' becomes a problem of individual deficiencies, or at least individual rationality. In rejecting this interpretation, which underpins Britain's Third Way model, it becomes necessary to ask to what extent the problem can be explained by structural aspects of the capitalist system.

Delving deeper, Chapter 5, entitled *A Political Economy of Social Exclusion: Marx, Polanyi and Regulation Theory*, locates 'social exclusion' discourses and policy approaches within theories and perspectives on recent and historic structural changes to society. This analysis reveals that 'social exclusion', understood as the creation and re-creation of poverty through labour dislocation, is intrinsic to the way in which capitalism works as a social and economic system. Polanyi's (1944) work, and indeed that of regulation theorists, shows that capital's attempts to realise ever-greater commodification of labour meets social resistance, giving momentum to a 'double movement' whereby shifts in the balance of power between capital and labour are reflected in specific historic blocs of capital accumulation. The role of the mode of social regulation is, in effect, to provide a social framework within which commodification can be balanced. In an era of global trade and production, the scope for labour exploitation has expanded. This has had particularly perverse effects for working class people, leading to claims of a permanent 'underclass'. By utilising regulation theory to unpack the political economy of social exclusion, the chapter seeks to explain how social exclusion policies are linked to the 'reform' of the welfare state in the era of global capitalism. It is shown that that 'social exclusion' has historic parallels in the calculated exploitation of 'poverty'; and in policies instituted to coerce labour market participation in the low-paid sector during periods of economic restructuring. Regulationists represent these developments as the regulatory compression of the 'wage-labour-welfare nexus' of the mode of social regulation- in other words, how the division of labour is governed in 'post' Keynesian welfare state societies. These reflections on the political economy of social exclusion in this chapter lay the groundwork to undertake an analysis of Australia's institutional evolution towards a more 'workfare' oriented regime, and to provide a framework through which to respond to the research hypothesis.

Chapter 6, *Economy Rules: Institutional Reform and Social Compromise*, returns to the Australian context to begin Part 3, with the objective of grounding theoretical observation in an examination of Australian national-level policy developments. This is an important level of analysis, especially in the Australian context, because national decision-making profoundly affects subnational jurisdictions and the experiences of people at an individual level. The chapter traces the evolution of Australia's 'protectionist' institutions towards a more commodified set of arrangements. Particularly since 1983, social and economic inequalities have widened through a range of interconnected institutional shifts. The abandonment of political commitment to full employment, monetarist economic policy, trade liberation, industrial relations reforms, tighter welfare targeting, public sector rollback and other neoliberal policy choices have further residualised the 'wage earners' welfare state'. These policies, implemented by the Hawke and Keating Labor governments via a corporatist approach, prepared the way for a more intensive assault on social conditions by the Howard Liberal-National Coalition.

Chapter 7, *The Market Paradigm: From Welfare to Workfare to Social Exclusion*, examines the consolidation of the neoliberal agenda, most specifically through the Coalition's aggressive assault on the industrial relations system and its simultaneous winding back of social security protections. It is at this level that macro-economic policy, in achieving the desired compression of the wage-labour-welfare nexus, has culminated in the phenomenon of 'social exclusion' as comprehended by theories outlined in Part 2.

The concluding chapter, *Averting the Crisis?* draws all these threads together in a reflection on the implications of the preceding research. It concludes that the Rann Government is a fairly typically Third Way government in many ways immobilised by neoliberal paradigm thinking: fiscally austere, firmly committed to economic development and growth, ostensibly consensus-seeking and keen to maintain the middle ground vote through populist appeal. Can the government avert a crisis, or is it simply avoiding a socially progressive compromise? What has the theoretical literature contributed to this understanding? Has a regulation approach been beneficial in exploring the research hypothesis? The evidence suggests that neoliberal

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economic policy objectives are counter-intuitive to 'social inclusion' if inclusion means that all South Australians are to have a fair stake in the fruits of the economy. In a more open global economic environment regional governments like South Australia unquestionably face real constraints in the delivery of socially-just economic outcomes. However it is contended that innovative social policy will be increasingly important not only to circumvent class-based social cleavages, but to provide for the social reproduction upon which the successful economy rests. If '[so]cial not technical invention was the intellectual mainspring of the Industrial Revolution' (Polanyi 1944:119), much more progressive, innovative and inclusive social policy must be seen as the key to any form of contemporary progress.

PART 1

Social Inclusion in South Australia

PROLOGUE TO PART 1

South Australia from Playford to Rann

South Australia is a small regional jurisdiction undergoing significant economic restructuring as major manufacturing interests make their departure from the State. This can be contrasted with South Australia's Fordist⁴ era which stabilised under the State's longest serving Premier, the Liberal and Country League's Thomas Playford, whose term began in 1938 and ended in 1965. Right through to the 1930s, local secondary industry had remained underdeveloped and the Great Depression had hit the region hard because of a narrow reliance on rural and mineral commodities. Playford came to office with a concerted State-building objective and, at least in the earlier years of his term, South Australia quickly staked a claim as 'the nation's pace-setter' (Blewett and Jaensch 1971:5). Playford's part in this is debated. There is a view that the war effort itself catalysed the State's industrial expansion and the post-war momentum of rapid international economic growth simply advanced local fortunes. Furthermore, strong intervention in economic matters was no more than Keynesian paradigm thinking at the time (McFarlane 1986:62; Stutchbury 1986). Playford himself was a social conservative and it is true that any social gains, such as the institution of the South Australian Housing Trust, 'nationalised' electricity, and other welfare state-type utilities, were merely incidental to the main objective of economic growth; they were designed to attract industry, and its post-war immigrant labour, on a cost-competitive basis. Playford vehemently opposed unions (Moss 1985:355), spent relatively less than other states on health, education and social amenities, and conceded no legitimate role for the State in provision of welfare, believing that 'charity should be the most strictly private enterprise of all' (Blewett and Jaensch 1971:10). In retrospect, Playford's investment-seeking interventions are seen as somewhat *ad hoc*, leaving structural weaknesses in the State's economy in the sense that the manufacturing sector did not diversify significantly beyond consumer durables and remained heavily reliant on vehicles manufacture (McFarlane

⁴ The term 'Fordist' is used by regulation theorists to describe the 'long boom' of capital accumulation, characterised by mass production and mass consumption, which reached its peak in the post-war era (Broomhill 2001:118).

1986; Moss 1985; Stutchbury 1986)⁵. Compounding the problem was the State's incapacity to raise adequate revenue from its own sources, leaving Playford's last budget in deficit. Towards the latter half of the Playford years, these problems became more obvious when growth began to lag behind that of other states (Blewett and Jaensch 1971).

After a brief false start in the mid-1960s, a Labor government eventually attained office in 1970 and sought through public investment and progressive social thinking to correct the 'glaring neglect of the Playford era' (Healy and Regan 1992). Controversial social reformer Don Dunstan left his own imprint through innovative reforms to 'education, health, the cities, the environment, the arts, women's policy, community services [and] Aboriginal welfare' (Parkin 1992b:5). It has been argued that, under Dunstan's leadership, the South Australian government 'not only stimulated economic development but also actively promoted increased social development, coherence and equity' (Broomhill 2001:123). This was, however, a decade which is perhaps remembered more for reversing the State's 'wowsers' culture than its economic fortunes. Even so, it was also an era in which the public sector experienced significant reform and almost doubled in size. The central policy function in the Premier's Department expanded, and improved significantly the overall coordination of government policy objectives. Further, when a serious recession hit in the mid-1970s, the 'public sector was used to keep the economy afloat' (Radbone 1992:102). This was probably the Keynesians' last hurrah. The Dunstan era more or less coincided with the tail end of the post-war boom and the corresponding ascendance of 'free market' ideology. The role of government, from that time, became much more conservative, in terms of both social investment and economic intervention.

Labor Premier John Bannon came to office in 1982 after a brief Liberal intermission had given momentum to the era of economic rationalism. Bannon's years have been summed up as a decade of caution and disassociation with 'radical progressivism', reminiscent of the Playford era in its focus on 'economic development rather than social reform or cultural renaissance'

⁵ Blewett and Jaensch have pointed out that '[d]emand for consumer-durables is particularly responsive to slight changes in the level of real incomes, and hence such industries are especially vulnerable to fluctuations in the trade cycle' (1971:5).

(Parkin 1992a:342). The local effect of the national recession in the early 1980s was the worst on the mainland (McCarthy 1993). Job losses in the manufacturing sector were rapid and severe. Almost one fifth of manufacturing employment, around 23 000 jobs, disappeared from the South Australian economy between late 1989 and mid-1992, and the threatened withdrawal by one or other of the three motor vehicle plants based locally has since become a perennial feature of the State's industrial landscape (Genoff and Spoehr 1993:151)⁶. In light of these difficulties, it is perhaps surprising that Bannon Labor managed to maintain office for so long.

The end came with the collapse of South Australia's State Bank, which had devastating electoral consequences. The new State Bank which incorporated the Savings Bank of South Australia had been created as a response to recession – to promote local investment and economic diversity. The Bank was effectively released from public control through arms-length arrangements and, although it remained a public asset, was run along commercial lines to satisfy calls by business for 'less intervention' in economic affairs. Under the 'entrepreneurial' guidance of former Westpac executive Tim Marcus Clarke, the Bank's management team pursued aggressive, high-risk and imprudent investments that failed to benefit the State economy and very quickly became a public liability. Bannon was forced to resign (McCarthy 1993). However his appointed successor, Lynn Arnold, failed to gain sufficient public confidence for the government to be re-elected. The State Bank debacle has been Labor's albatross ever since, a dark spectre of irresponsibility looming over the State's economic and social misfortunes.

The State Bank collapse was not only electorally beneficial to the Liberals who in 1993 were propelled into office with a record majority under the leadership of Dean Brown. The State debt became the malady to which the market was the solution; debt rhetoric was used continuously to parlay the way for a neoliberal economic agenda. A fiscal 'black hole' was conveniently uncovered by an 'independent' Audit Commission, and the government embarked on an

⁶ Mitsubishi Motors announced early in 2008 that it would be closing down its Tonsley Park operation and retrenching its 1000-odd workers.

aggressive ideologically-driven program of outsourcing, privatisation, public asset sales, user pays arrangements, and the introduction of 'commercial and competitive' principles to those public sector operations remaining in government hands. Paradoxically, economic recovery was impeded by public sector rollback. The State's employment base contracted even further with the retrenchment of a massive 5 500 public service positions in key areas such as health, education and policing. The net effect of these years was, essentially, a mammoth redistribution of resources from the public to the private sector, the corresponding downgrading of infrastructure and the local skills base, and the imprudent (and non-transparent) provision of financial inducements to multinational companies, many of whom have since made their exodus (Broomhill, Genoff, Juniper and Spoehr 1995:215-217; also O'Neil 2002).

Pursuit of the neoliberal agenda intensified under the leadership of Brown's 'dry' faction successor, Liberal Premier John Olsen, yet the State's 'deep-seated structural economic problems' persisted (Marshall V 1997:403). Having deposed Brown, Olsen managed to lead the Liberals to another term in government (*viz* 1996-2001). This was a narrow victory, despite the fact that the Liberal years were fraught with political scandal and internal squabbling (Parkin 1998). What stands out throughout these years is the abandonment of social policy in the pursuit of policy reforms at the extreme end of the neoliberal policy agenda. Industrial relations amendments aimed to discourage collective bargaining, South Australia's water and electricity utilities were sold off, and various aspects of health, transport and correctional services were outsourced (Marshall, T 1999; Parkin 1995). There were substantial public school closures, burgeoning numbers of poker machines, and tougher penal codes (Parkin 1998). There was also a significant erosion of Aboriginal land rights (Parkin 1995), and a notable indifference to local training and skill development needs (Social Development Committee 2003).

Despite this, the South Australian electorate remained unconvinced that Labor could effectively take up the reins. The 2002 election result was indecisive. After four days of negotiation with independent members, Labor claimed government with the support of Liberal independent MP Peter Lewis (Manning 2002:576). The Rann era thus tentatively began.

CHAPTER 1

Social Inclusion in South Australia: ‘What’s the fundamental problem?’

The Government’s Social Inclusion Initiative is the cornerstone of a different way of tackling pressing social issues. It recognises that issues such as poor health, homelessness, crime rates and poverty are all interconnected and their causes stem from social exclusion.

**Hon Mike Rann, Premier of South Australia
Estimates Committee, 29 July 2002**

The Premier Mike Rann gave the Social Inclusion Board a mandate to tackle some of the most pressing social problems facing our community. His words to me were to take our key social problems and come up with answers that make a difference and make it happen. We embraced this mandate with a strong sense of purpose.

**Monsignor David Cappo, Chair of the Social Inclusion Board
SACOSS Conference, 2005**

... because of the way we’re structured into portfolios, it makes it hard, you really have to focus on identifying what’s the problem we’re trying to solve. And that was the struggle I think for social inclusion. They had a lot of trouble to state, what is the problem – what’s the fundamental problem?

Heather Parkes, former Director, Social Inclusion Unit, 2005

1.1 Introduction

We take up the story in South Australia in 2002 where the Rann Labor government initiated a ‘social inclusion’ approach to deal with what were described as the State’s most ‘pressing social issues’. The purpose of this chapter is to introduce the Social Inclusion Initiative, its background, and the structures and the processes associated with it, drawing on documentary sources as well as commentary from key South Australian figures who are either connected with, or have knowledge about, the government’s social inclusion agenda. At the time the Initiative commenced, South Australia was unique amongst Australia’s federal constituent

states in having formally adopted a policy program under the 'social inclusion' rubric⁷. So, approaching the exploration in a way that takes a cue from Bacchi's (1999) text on the construction of policy problems, the first task is to investigate some of the *prima facie* issues: why and how did 'social inclusion' become institutionalised as one of SA Labor's cornerstone policy objectives – and what was the problem represented to be? The heart of the policy problem is revealed through the way problems and their responses are framed, reflect 'presuppositions and assumptions', and become subjected to competing interests and values (1999:9). Bacchi's insights reveal that 'representations ... become what is important – because of the shape they give to the problem, and because of what they imply about what should be done or should not be done' (1999:9). The work of Edelman also suggests that policy problems have particular 'careers' (1988:18); their trajectories will reflect whose power and influence comes into play as problems are constructed and solutions implemented. Often 'trends' in the language and representation of problems signify consistency in dealing with them (1988:16). What is brought to notice as a problem often denies or eliminates attention to other, possibly more damaging, issues (Bacchi 1999; Edelman 1988). 'Social exclusion' as an object of policy in the South Australian context is no exception in this regard, as will be revealed in Part 1 of this thesis which comprises the first three chapters.

1.2 Social Inclusion in the Local Context: Why and Why Now?

1.2.1 Background to the Social Inclusion Initiative

After eight years in Opposition, SA Labor leader Mike Rann formed a minority government in March 2002 with the last-minute support of former Liberal, Peter Lewis, who had earlier defected from his party to run as an independent candidate. Lewis' decision to elevate Labor to

⁷ The federal Labor Shadow Ministry announced on 10 December 2006 included a social inclusion portfolio. Julia Gillard assumed this responsibility along with employment and workplace relations ('Rudd unveils Labor front bench, *The Age*, 10 December 2006). Subsequently, Gillard was confirmed as Minister, and New South Wales Senator Ursula Smith was appointed Parliamentary Secretary Assisting the Prime Minister in the Social Inclusion role. South Australia's Liberal Opposition Leader, Iain Evans (later deposed by Martin Hamilton-Smith), adopted shadow responsibility for the 'social inclusion' portfolio from 30 March 2006, South Australian Parliamentary website. All websites referred to in either the text or footnotes are listed in the References section of this thesis.

government was based on his opinion that the Rann team would offer the State greater 'stability' than a Liberal Party alternative (Manning 2002:576). On acceding to office, the new Premier immediately established a Social Inclusion Unit within his own Department of the Premier and Cabinet, taking personal ministerial responsibility for the social inclusion portfolio. The proposal for the Initiative had first been announced publicly in October 2000, and had been promoted by Labor in Opposition as part of its election platform from that time ('Social Justice Scheme', *Advertiser*, 14 April 2001; Kelton 2000; Stone 2000). It was to be based essentially on the Blair New Labour Government's Social Exclusion Unit in the United Kingdom. A Social Inclusion Board was appointed, comprising a Chair and an inaugural membership of eight high-profile community figures (Government of South Australia 2002). The Board was to meet at least four times a year to provide policy advice to the Premier on 'some of the most pressing social issues in the state and by linking social and economic policy'⁸. The South Australian Social Inclusion Unit reported directly to Rann, as Minister for Social Inclusion, and was staffed by a small number of public servants seconded from relevant State government agencies. The Unit provided a research and advisory function as well as developing and monitoring operational strategies. While the Unit has a facilitating role and co-ordinates work across various government and non-government agencies, it has no direct involvement in service delivery and program implementation. The Unit has dual accountability, to both the Chair of the Board and, through its executive, to the Premier as relevant Minister (Newman, Biedrzycki, Patterson and Baum 2007).

1.2.2 Growing Poverty and Political Considerations

Social justice was a key component of SA Labor's 2002 election platform in acknowledgement that too many families were struggling, homelessness was on the rise, and disadvantage was becoming increasingly widespread (SA Labor 2001). Labor made considerable effort through a series of metropolitan and regional community consultations, both formal and informal, to engage with people's day-to-day concerns (SA Labor 2000). South Australia's daily newspaper,

⁸ Social Inclusion Initiative website, accessed on 8 March 2003.

the *Advertiser*, reported for example that on Christmas Day in 2000 Rann spent much of his day 'talking to homeless people as they [ate] Christmas meals at city shelters', in an attempt to understand the reasons why the State's 7000-odd homeless were 'sleeping on the streets' (Stone 2000).

The wealth divide in South Australia was indeed a disturbing reality. According to local researchers Carson and Martin, a number of reports consistently revealed that, over the previous two decades, the rate of poverty in Australia had risen and had been accompanied by a widening distribution of income. Although this phenomenon was experienced nation-wide, it was more pronounced in South Australia where from '1981-82 the rate of poverty more than doubled, rising from 10 per cent to 23 per cent in 1997-98' (Carson and Martin 2001:4). The dramatic upsurge in rates of poverty experienced in South Australia outpaced those in every other state and there were local pockets of severe spatial disadvantage (Carson and Martin 2001). The week before the State election, Gael Fraser, who at the time was the Chair of the South Australian Council of Social Services (SACOSS) and a Labor Party Member⁹, brought these issues to the forefront of public attention, commenting in the *Advertiser* on the damaging effects of the 'growing divide between rich and poor' and the need for an incoming government to address poverty-related issues in a planned and strategic way that involved all sectors: 'community groups, local government, independent experts, business and ... public service' (James 2002). Rann was a seasoned career politician having served Labor in various roles for twenty-five years prior to his appointment as Premier (Manning 2005); he understood well the political ramifications of ignoring problems in marginal electorates that had traditionally constituted Labor's blue collar industrial heartlands.

Madeleine Woolley, a member of the inaugural Social Inclusion Board who later became Executive Director of the Social Inclusion Initiative, certainly believed that the Initiative had been prompted by the social conditions challenging Labor at the time:

⁹ The South Australian Council of Social Services, or SACOSS, is the State's peak body for community welfare organisations, generally non-government organisations.

... there's a growing gap between those who have some source of money and those who do not; ... social dislocation and exclusion leads to difficulties within society, some of which are extraordinarily stark – I mean by stark things like those people who are on drugs, people who are sniffing petrol, people who live in suburbs where crime is much higher than in other places. And all of those provide political challenges for any party in politics that sees social justice as one of the reasons for being there. Governments know they have to deal with these issues and get a swing in terms of effort applied across portfolios¹⁰.

While the political imperative was strong, as Woolley's insights suggest, Labor was also seeking innovative social policy directions that would have some traction with voters and, according to an *Advertiser* editorial, could distinguish the party from its political opponents. From the *Advertiser's* perspective, the proposed 'Social Inclusion Initiative [was] yet another attempt to highlight differences between the major SA political parties and to give voters a real choice at [the] next election' ('Mr Rann Puts the Alternatives', *Advertiser*, 22 November 2002).

1.2.3 Emulating the British

At one level, the adoption of a social inclusion approach appears to be a relatively straightforward case of policy emulation, of simply adapting Blair's policy for local application. The transmission of policy ideas – particularly across the Anglophone nations – is common, and various aspects of Blair-type Third Way policies had already been given legitimacy in Australian Labor policymaking circles (McDonald and Mitchell 2002). Labor, in South Australia as had been the case in Britain, faced an electorate jaded by over a decade of 'economic rationalist' developments. It saw the need for an election platform which portrayed the Party in a more sympathetic light (Newman *et al.* 2007:46). In a media statement released in October 2000, Mike Rann commented in positive terms about the Blair Government's Social Exclusion Unit which 'after two years [had] begun to achieve real results in the areas of homelessness, youth unemployment, neighbourhood renewal and teenage pregnancy' (Rann 2000).

¹⁰ Interview, Madeleine Woolley, 2005.

According to a senior officer within the Social Inclusion Unit, however, the UK's record on results at that stage, while apparently positive, was largely anecdotal: Blair's initiative was itself relatively new, and as such lacked comprehensive evidence-based data or evaluative work attesting to the success or otherwise of the policies targeting social exclusion in Britain.

Social Inclusion Board member Bill Cossey, previously a long-serving and well-respected State public servant, expressed his view that the Initiative had emerged largely because of the work being undertaken in the UK, but also because the social inclusion concept had novelty appeal:

At one level I think it was because we have a Premier who was enthusiastic about what Great Britain was doing. So, I think there was at least some part of a 'copy cat' approach. I also think it was probably caused by a desire to be a bit different ...¹¹.

Rann is said to have a personal connection with Blair on whom, according to one source, he 'obviously models himself a fair bit'¹². Indeed, Rann's office boasts a photograph of himself pictured not only with Blair, but also with former US President Clinton. According to staffers, these are composite photographs, but it is a common assumption that the Premier has easy entrée to Third Way diplomatic circles:

Tony Blair is, you know, a friend of the Premier's – that's my understanding and certainly that's what people said when I first started the work¹³.

Premier Rann knows Prime Minister Blair well and has high level contacts in the Democratic Party in the US (Black 2005).

As a policy concept denoting multiple forms of disadvantage, 'social exclusion' had wide application in Europe. However, as it did not have the same currency in Australia, at least

¹¹ Interview, Bill Cossey, 2005.

¹² Interview, Mark Butler, 2005.

¹³ Interview, Heather Parkes, 2006.

outside federal policy discourses on welfare reform (Bradshaw 2003; Latham 1998; McClure 2000), it did signal innovation in terms of local policy application. As Freeden's work suggests, the 'allure of the new' was almost an obsession with respect to Blair's Third Way focus (1999:50). It was also evident in Rann's pride in doing things differently.

At interview, Heather Parkes, the inaugural Director of the Social Inclusion Unit¹⁴, referred to Labor's strong social justice ethos, and the fact that the UK model offered the opportunity to resurrect Labor as the traditional champion of the underprivileged:

... they had a fairly strong policy commitment towards helping disadvantaged groups within the community in particular, and I think that they were very impressed with the work that was happening in the UK in terms of trying to tap into some of the more disadvantaged groups and to really address some of the fundamental issues that made people become, if you like, disconnected from society. ...[T]he Labor government saw the opportunity to really start addressing some of those fundamental fragmentations within society¹⁵.

When asked the same question about what had prompted the Initiative, Rann himself immediately made direct reference to the Blair government's work:

Q The South Australian Social Inclusion Initiative was first outlined as Labor's Platform – as part of Labor's Platform for Government. Why do you think that that sort of initiative was necessary at that time?

A Well, it basically came out of me in Opposition having a look at some of the things ... that Tony Blair's government in Britain did. And the first time it was mentioned to me was by the former Archbishop of Canterbury, George Carey, who was in Adelaide in 1999, and he told me that I should have a look at Tony Blair's Social Exclusion Unit. And he said he thought that what they were doing was terrific – except he thought the name was terrible, it should be social *inclusion*,

¹⁴ The position was upgraded to the status of Executive Director following Parkes' departure to the Department of Human Services.

¹⁵ Interview, Heather Parkes, 2006.

not social *exclusion*, although obviously the initiative was there to try to combat social *exclusion*. And so he told me in a conversation about some of the things that they were doing and so we really started having a look quite closely – connected to people in the Blair Government – and we had a look at what they were doing ...[original emphasis]¹⁶.

As implied in Rann's comments, one of the criticisms of 'social exclusion' in Third Way application has been in fact that it tends to categorise and stigmatise marginalised individuals and groups as an 'underclass' (Fudge and Williams 2006; Jones and Novak 1999; Levitas 1998; 1999). Such criticisms may have influenced the decision to change the local nomenclature. Converting to 'social inclusion' arguably avoids such stigmatisation and, moreover, suggests that the government is a more pro-active agent for social justice and a good society. Rann is locally known as 'Media Mike'– doubtless because of his background as a journalist and media advisor to the former Premier Don Dunstan. However his fondness for good publicity has not gone unnoticed (Manning 2005).

Rann's allusion to the Blair model during interview addresses the question about why the Initiative was 'necessary' in a superficial way that tends to suggest that its adoption reflected a search for a new *model* for social justice rather than, for example, problems with South Australia's political economy, widespread socio-economic disadvantage, or even evidence that social exclusion 'symptoms' had increased. That is, even though the Initiative is stated to be 'about addressing the causes of serious social problems rather than the symptoms' (Rann 2000), the real underlying causes and constraints of 'social exclusion' remained unspoken.

As Rann continued to talk about what had prompted the Initiative, he referred to the interrelated nature of various social problems. Public sector culture, however, begins to take the foreground in problem construction:

¹⁶ Interview, Mike Rann, 2005.

I think what attracted me was that, in the years that I'd been a Minister for Aboriginal Affairs, Minister for Youth Affairs and so on, that the real importance of dealing with major and protracted disadvantage by, rather than taking a portfolio-based approach, to actually take a sort of whole-of-government, whole-of-community approach. So that's really how it started, and what we wanted to do was that, we felt that we knew from our own experience and from talking to indeed very committed people – public servants and people from the community sector – that things tended to still be 'siloed'. And to give an example we experienced very early on when we set up the Social Inclusion Initiative, there was some resistance from the people in the Housing Department to co-operate with what we were doing on reducing homelessness, and their kind of mantra was well, you know, 'Housing's our responsibility, what's this got to do with the Premier's Department?', and we put it out that homelessness wasn't just about housing, it was also about poverty, about mental illness, about drug and alcohol issues, substance abuse, poverty and family break-up, migration and Aboriginality and a whole range of other things. So I think that was very clearly demonstrated to me that we were on the right approach¹⁷.

Evident too in Rann's comments is the notion that government was keen to engage with the community on problematic social issues, a notion which has resonance with the strong communitarian theme running through the Third Way's reinvention of civil society and 'social democracy' (Freedon 1999; Giddens 1998; Reddel 2004; White 1998). The government's desire for community engagement and input is reiterated in statements and processes associated with the South Australian Strategic Plan, the overarching framework for the government's key social, economic and environmental objectives (Government of South Australia 2004; 2006a; 2006b).

1.2.4 Conceptual Input

A community sector conference convened in July 1999 by Social Options Australia¹⁸, and its follow-up workshop, are claimed to have been influential in disseminating the 'social inclusion' concept amongst SA Labor ranks. Various Labor Party members were amongst the delegates.

¹⁷ Interview, Mike Rann, 2005.

¹⁸ Social Options Australia is a private sector consultancy with a 'mission to enhance quality outcomes in the human services ... by linking organisations with the latest research, community networks, technology and best practice' (Social Options Australia 1999).

A key player on Labor's 2002 election Platform Committee and a professional practitioner within the Social Options Australia team, Moira Deslandes, indicated that the Reverend Peter Thomson's views on social entrepreneurship were particularly persuasive through this forum and became infused into Labor's agenda for government. The views of Nic Francis, from the Brotherhood of St Lawrence (another 'social entrepreneur') were also said to be influential¹⁹. A *Lateline* interview in 2001, involving both Thomson and Francis, revealed that 'social entrepreneurship' is about 'people who make things happen'; about 'grass roots' activity; about cross-sectoral networks; and about addressing social division and the 'structural aspects of poverty' through the creation of opportunities that enable all sectors of the community to become involved rather than expecting the problem to be solved by government (Jones, T 2001):

Gael Fraser (at the time Chair of SACOSS, a Labor insider, and later Chief of Staff to Education and Children's Services Minister Jane Lomax-Smith) was also reported to have had significant input. Her contribution explored the potential for the social and economic objectives of government to be aligned within a budget framework²⁰. The conference proceedings and workshop notes of the Social Options forum essentially contain a number of papers on conceptual aspects of social inclusion (and 'social capital') and comprise a range of case studies about integrated service delivery and community capacity-building at neighbourhood level (Social Options Australia 1999:31). Precisely how, or how much, these deliberations contributed to the South Australian model remains a matter for conjecture. Yet it is apparent that they were important in embedding and legitimising the social exclusion concept within discourses of local disadvantage and spatially-related social and economic deprivation. Further, the attempt to integrate social and economic objectives also stands in contrast to previous approaches to equity and social justice whereby small amounts of access and equity funding were 'cream on the cake', additional to core programs²¹.

¹⁹ Interview, Moira Deslandes, 2005.

²⁰ The proceedings generated from the Conference are relatively limited and do not contain the detail referred to by this research participant during interview in 2005.

²¹ Interview, Madeleine Woolley, 2005.

Implementation issues were not explored, nor meant to be, within the forums convened by Social Options Australia. While the Premier himself is said to have taken a close interest in implementation possibilities, he ultimately delegated that responsibility to his Department, and to Monsignor David Cappelletti, who was appointed to chair the Social Inclusion Board²². Cappelletti, as Vicar-General of the Catholic Archdiocese of Adelaide, is a highly-placed church dignitary. He is also a qualified and experienced social worker, and previously headed up Catholic Welfare Australia. Cappelletti's influence was said to be substantial – to the extent that the operational model initially conceived altered significantly as a result of his part in subsequent iterations. Parkes, the inaugural Director of the Social Inclusion Unit²³, recalls:

Monsignor Cappelletti very definitely drove it, and we sent him to England, for a week, to talk and meet with the Social Exclusion Unit over there ... and that was done early on ...²⁴.

Cappelletti and Rann both, in fact, visited 10 Downing Street to discuss social inclusion issues with Blair and his public sector associates (South Australia, HA, *Estimates Committee A*, 2002:4).

1.3 Definitional Issues

It is often noted within the literature on 'social exclusion' that definition has proved elusive and that various attempts to define the concept have produced less than adequate results (see Atkinson 1998; Burchardt 2002; Saunders 2003 and Chapter 4). The Social Inclusion Initiative, like Blair's Social Exclusion Unit, has not proceeded from a definitional base, but in its promotional documents skirts around the issue:

The Initiative begins with a recognition that issues such as poor health, increasing crime rates, increasing problem drug use, poverty and decreased social cohesion are related to one another,

²² Interview, Moira Deslandes, 2005.

²³ This position was subsequently upgraded to Executive Director level after Heather Parkes transferred from the Unit.

²⁴ Interview, Heather Parkes, 2006.

and their causes are related to social exclusion. Unemployment, low income, poor educational attainment, low skill levels, inadequate housing, bad health, violence – these things can all contribute to social exclusion (Social Inclusion Unit 2005:1).

Social exclusion, from this normative perspective, manifests as both cause and consequence of social disadvantage and social fracture. The idea of 'inclusion', on the other hand, is usually expressed in vaguely utopian terms:

...a commitment by the Government to securing a future where families and young people flourish and succeed, and government, business, individuals and communities work together positively, creatively and with mutual respect (Social Inclusion Unit 2005:1).

In an early meeting of the Social Inclusion Board, Chair Monsignor David Cappo's briefing to members referred to social exclusion as 'the *process* [original emphasis] of being shut out from the social, economic, political and cultural systems' that assist the individual's social integration. Social exclusion could also be conceptualised as various forms of 'inequality'. These were categorised as:

- Economic aspects – where citizens do not have access to employment and assets such as property and credit;
- Social aspects – where citizens do not have access to contacts, groups and opportunities which empower them to access mainstream society;
- Political/institutional aspects – where citizens do not have access to places of living and recreation with adequate facilities and services;
- Temporal aspects – where children living in poverty have a higher probability of suffering social exclusion and poverty later in life (Newman *et al.* 2007:11, citing Monsignor David Cappo).

A further theme informing the work of the Board and the Unit is 'denial of opportunity'. It is accepted that the many factors preventing full and active social participation are linked, and a particular emphasis is given to targeting 'critical transition points'. What this means is that

people may be more vulnerable at certain times in life, and providing access to various kinds of support at these critical times offers greater protection against risk, increasing resilience to life's hardships and challenges (Newman *et al.* 2007:17)²⁵.

Social inclusion as a concept does not have a binary in social exclusion. Jan Patterson, a Principal Policy Officer with the Social Inclusion Initiative, commented that this had presented the Unit, and others, with some conceptual difficulties:

... one of the challenges – I think more so for the Unit than really for the Board, has been around the conceptualisation of social *inclusion* as opposed to social *exclusion*, because the two don't sit at the end of a continuum of social exclusion [to] social inclusion²⁶.

Despite demand from government agencies and from academic institutions for a definition, this course was resisted by the Unit. The notion of 'inclusion' was useful insofar as it remained undefined:

... by putting the boundaries around it, you immediately start to limit the potential for social *inclusion* and what it's all about. And what I would say about it needing to evolve, about how we think about social inclusion in five years' time, I'd be very disappointed if we're still thinking about it how we're thinking about it now, and the approach that we're taking. And so I think that has been a real challenge in the work of the Unit, and it's been something that we have been challenged on repeatedly, to come up with a definition of social inclusion. I mean, we could easily do a definition if we wanted to, but that's not the point though. And it's very hard to get people to understand that. ... It's about using what we know about social *exclusion* and what we know about social *inclusion* to create the change without getting into the debate about some of the semantics around it [original emphasis]²⁷.

²⁵ The ideas of 'critical transition points' as well as 'resilience' have a strong presence within the research literature on youth development: their adaptation within the Social Inclusion Initiative clearly reflects the skills and expertise brought to the Unit by Jan Patterson, a former Principal Policy Officer with the Commonwealth Youth Initiative, *Ausyouth* (Ausyouth 2001). Patterson acknowledged that these ideas emerged from her work in the youth development field.

²⁶ Interview, Jan Patterson, 2005.

²⁷ Ditto.

Patterson is a passionate advocate for evidence-based policy evaluation and reflexive work practices and accordingly believed it was important that the concept of 'social inclusion' remain fluid. It needed to be flexible enough to adapt not only to future matters referred to the Board, but also to accommodate changes that might be required in work processes and procedures. Undefined, 'social inclusion' had greater potential for adaptability.

As has been noted elsewhere, lacking definition, 'social exclusion' has a certain magnetism for politicians. Silver's treatise on social exclusion makes the point that 'the expression is so evocative, ambiguous, multidimensional and elastic that it can be defined in many different ways' – hence its popularity in the political arena (Silver 1994:536). In similar vein, Percy-Smith 2000a:15) observes that 'how social exclusion is defined can determine the scope of the policy response'. The Social Inclusion Initiative's operational parameters are thus defined by a series of specific 'social exclusion' issues as discussed below.

1.4 The References

The term 'reference' is used to designate a specific policy issue formally referred to the Social Inclusion Board by the Premier. According to Newman *et al.* (2007:1), the 'issues-based Reference model' has been applied 'to scope, profile and address issues' which affect local people and either prevent them, or have potential to prevent them, from leading active and fulfilling lives. An Interministerial Committee oversees the implementation of each specific reference and associated processes, with a Lead Minister appointed to 'champion' the reference, or take primary responsibility for achieving the required outcomes when cross-portfolio activity is undertaken (Newman *et al.* 2007:15). The following section explores how and why certain issues became adopted as social inclusion references.

1.4.1 High Priorities

During Opposition, Rann had expressed his desire to be known as the 'Education Premier' ('Call me Education Premier – Rann', *AAP*, 6 August, 2000). He promised that, if Labor were elected, improving school retention rates would be his government's highest priority (Kelton 2000). The education imperative is similarly exhorted within Third Way policy prescriptions (de Haan 1999; Giddens 1998; Hamilton 2001). The issues of homelessness and drugs were also highlighted in early rhetoric about the Initiative (Rann 2000), yet amongst a range of other problem descriptors – typically youth suicide, poverty, unemployment, youth unemployment ('ALP Poverty Pledge', *Daily Telegraph*, 26 December 2000); substandard housing, family breakdown and poor health (Brechin 2001); gambling ('Social Justice Scheme', *Advertiser*, 14 April, 2001); and mental health (Rann 2000).

In the Estimates Committee hearing in July 2002, Rann indicated to (then) Liberal Opposition Leader Rob Kerin that:

The immediate priorities of the board are to tackle the alarming drop in school retention rates and to look at ways to reduce homelessness in our community. In June, it [ie the Board] convened a five day community drugs summit...The recommendations from the summit have been passed on to the Social Inclusion Board for consideration, and later this year the board will put its proposals to government and we will then decide which of those we will put to parliament (South Australia, HA, *Estimates Committee A*, 2002:4).

Twenty-one initiatives emerging from the Drugs Summit were duly announced in December 2002, and a further fourteen commenced in September 2003. An allocation of \$18.327 million was to be expended over the five years 2002/3 to 2006/7 (Social Inclusion Unit 2002).

At the SACOSS Conference in 2005, Monsignor David Cappo, Social Inclusion Board Chair, referred to the Board's 'mandate' and made it clear that the government was driven by the need to produce 'outcomes':

Firstly, and foremost, we are to achieve outcomes. There is an explicit need to do things that are demonstratively effective. Processes, support and activity that does not have an impact on the targets set by the Government – halve rough sleeping; increase school retention, reduce drug related harm – is of little consequence (Cappo 2005).

Driven by the political need to produce demonstrable results, the decision to concentrate on and quickly operationalise these three priority references when the Initiative commenced seems to owe as much to pragmatism as strategy:

Q ... who was behind the selection of those initial references?

A I don't know. They were given to me when I took up the job and the Premier – I had a discussion with the Premier and he asked me what I thought of them, and, he said that the first thing they would do towards school retention was to increase the leaving age to sixteen, and what did I think of that. And I think part of the problem was, in terms of the references at least, they weren't actually well defined.... So, the work was focused around, initially, the Drugs one, because there was the Drugs Summit that it was decided would be held. There was – Homelessness, we started the research and scoping, and the same with School Retention. And the Aboriginal one was put on the back burner at the beginning, mainly because it was a very small Unit²⁸.

Later in her interview Heather Parkes elaborated further:

Q ... from your perspective, do you think any of the references – the early references – took greater priority?

A Homelessness. Drugs. The Drugs was the first cab off the rank, because there was the Drugs Summit and I think what came out of that got the first lot of really big funding, but the Drugs already had very good structural support arrangements in place in a sense. It had people working on it as an issue. Homelessness only had accommodation services working providing accommodation, it didn't actually have someone looking at the whole issue. And I think that what

²⁸ Interview, Heather Parkes, 2006.

happened was that we were under pressure to produce on all three. Drugs – we set up a whole – it was easy to manage the Drugs in a sense, and I got in a guy from the Police, ... who came in and worked on the Drugs stuff, and because we had, in Human Services, we had [an officer working in the area], it was easy to bring those people together and make things happen in the Drugs early on. And we set up the website for the Drugs Summit. So Drugs, while it had a priority actually had, you know, processes in place that were easy to just kick up a bit and then make it happen²⁹.

So, in other words, the need to publicise the work and *demonstrate* a difference very quickly appears to have had an impact on the choice of *which* 'pressing social issues' were targeted to provide an operational focus. Furthermore, the need to *demonstrate* a difference drove a tendency to refocus the effort towards the achievement of perceptibly 'easier' targets:

... the Homelessness reference was to reduce homelessness of everyone – which was an impossibility within a year, because there were about seven thousand people at that stage who were deemed to be homeless. And what they were really focusing on when they focused on people who were actually [deemed to be homeless was]... rough sleeping, and that reduced it down a bit which made it more achievable and it meant that it became more focused. ... And in fact they're probably the easiest ones, because you can house them, in a sense. But that said, I think there's a lot that's happened since then as a result of the work³⁰.

Although increasing school retention rates was highest on the list of priorities, delays nonetheless occurred because there was no existing agenda within the agency, but also as a result of early conflicts about contested turf:

School Retention wasn't being addressed, although DECS [Department of Education and Children's Services] had commissioned a few years before a very good report and that informed the basis of some of thinking and planning around it, but there was a bit of tension between, you

²⁹ Interview, Heather Parkes, 2006.

³⁰ Ditto.

know, when you're looking into another department's – what they would see as their area of responsibility, whereas Homelessness was less owned, if you like, whereas Education saw School Retention as their issue. So, it had a lot of priority and probably had the highest political attention because of that, because we had to learn how to work another Department, you know, walking in and sort of saying, well, what are you doing about something, and scrutinising it, and then saying, well, why are you doing that, and then saying, well, have you thought about, perhaps we should work together to try and come up with another way. And it did cause tension³¹.

Moira Deslandes, former Chief of Staff to Labor Education Minister Trish White, perceived this as public sector inertia, believing it resulted from the public service's apparent incapacity to comprehend the proper relationship between itself and the political process: although school retention and an increase in the school leaving age had formed part of Labor's pre-election manifesto (signalling intent and providing at least a rudimentary guide for policy formulation) neither the legislation nor a strategy for its implementation were prepared until over a year later. From her perspective, politicians took on the role because they wanted to make a difference, so were frustrated by apparent inaction³². These early experiences of delays associated with cross-agency work appear to have reinforced the idea that public sector bureaucracy was one of the main barriers to the government's social inclusion ambitions.

Heather Parkes talked of the incredible pressure that the Unit was under to achieve the outcomes it had been directed to achieve:

... we were working on very tight timeframes, and we were supposed to do it all within the first year. After I left, all the timelines were moved out another twelve months³³.

³¹ Interview, Heather Parkes, 2006.

³² Interview, Moira Deslandes, 2005. Furthermore, the previous Liberal administration had actually conducted a comprehensive review of the South Australian *Education Act* and new legislation had been drafted including provisions for raising the school leaving age. The Liberals were dismissed prior to the Bill being introduced into Parliament, however the Shadow Minister for Education, Trish White had been consulted on and endorsed the directions proposed in this Bill.

³³ Interview, Heather Parkes, 2006.

At this point, the Social Inclusion Unit Director position was upgraded to Executive Director status. Parkes was (involuntarily) transferred to the Department of Human Services and replaced by Madeleine Woolley, previously a Social Inclusion Board member, and long-term Director of the Adelaide Institute of TAFE³⁴. The reasons for this change were not disclosed, however it can be inferred that it reflects either the Premier's or the Chair's dissatisfaction about the pace of change in terms of progress towards the first three references.

1.4.2 Building on the Agenda

While continuing to pursue the first three priority references of School Retention, Homelessness and Drugs, the Social Inclusion Initiative gradually increased its scope of interest, and, as of March 2005, listed the following additional references as 'initial priorities':

- Reducing self harm and suicide amongst young people in regional areas
- Breaking the cycle of repeat offending among young people
- Increasing Aboriginal health and wellbeing through sports, recreation and the arts
- Increasing youth employment opportunities
- Improving the circumstances of families with multiple, complex needs in identified geographical locations.

The last reference listed became operationalised as a neighbourhood redevelopment program at The Parks, a group of suburbs with a high proportion of public housing situated in Adelaide's metropolitan west. This approach mirrors a number of neighbourhood regeneration initiatives targeting local area disadvantage in the UK (Lupton and Power 2002). Following the 2006 State election and as mentioned above, mental health was added to the list following a good deal of unfavourable media coverage in the *Advertiser*.

³⁴ TAFE is an acronym for Technical and Further Education; TAFE Institutes are public sector providers of vocational education and training and adult community education courses.

Somewhat oddly, the Social Inclusion Initiative also hosted a major four-day UNESCO International Youth Leadership Forum in March 2005. Without denigrating the value of such a forum to young people, or the potentially productive actions arising from it, it seems a somewhat misplaced area of activity considering pressures on the Unit to produce outcomes with limited resources (and considering that the Office for Youth was the administrative unit with responsibility for working across government on youth-related issues). When questioned about this, a senior officer offered the view that the Unit took up this initiative because it had the knowledge and expertise to be able to organise it quickly, and also because of the keen enthusiasm of the head of the Unit at the time, Madeleine Woolley (J Patterson, Pers. Comm. 20 March 2007).

1.4.3 Youth Unemployment

Youth employment (notably expressed as youth employment *opportunities*) quickly lost momentum as a problem issue, however, and became relegated to a lower order priority. According to advice from Lise Windsor, a Principal Policy Officer with the Department for Further Education, Employment, Science and Technology (DFEEST), South Australia's youth unemployment had continued to hover above the national average for some years, so was accordingly referred to the Social Inclusion Board for attention. After initial scoping work and an unsuccessful multilateral budget bid, interest in this area waned and the two intersectoral reference groups which had been formed to progress the strategy gradually dissipated³⁵. According to Board meeting papers, the issue was eventually referred back to DFEEST for attention in March 2005, although clearly the matter continued to form part of the Board's discussions at least until September 2005, and afterwards appears to have been picked up by a subcommittee (Social Inclusion Board Minutes, 2 September 2005).

Solving youth unemployment does not fall into the category of 'quick fix'. Madeleine Woolley commented:

³⁵ Interview, Lise Windsor, 2006.

.... youth unemployment is, I think, a crisis and people don't see it that much, and they won't, and it's swept under the carpet in my view. But given that the youth unemployment rate is actually increasing at a time when unemployment has decreased means that young people are now wearing greater levels – and they're going to get very angry, if they're not already. They've got a lot of time on their hands and who knows where that will go. But to get that on the agenda, because people I think generally don't know what to do about it, is rather difficult³⁶.

Woolley did not dispute that youth unemployment appeared to have ended up on the backburner, her comments, again, tending to support a 'pragmatic choice' hypothesis:

Oh, I think it's too difficult. And I think it will need to be possibly an expensive area to achieve change in, and so again, it competes for resources. I think also that one of the reasons why it doesn't have the same profile as, say mental health, across the State is that those young people don't have a voice and the families from which they come, as you'd know, don't have a voice. And they also come from geographic locations, where they don't have a voice. And employers are not their voice – and they don't want them. Long-term unemployed are often hard work for employers. So I think it's a huge problem. So the breakthrough on youth unemployment takes something a lot more creative and it's a longer-term result and you won't get a quick fix with youth unemployment. But there will be a crisis and the crisis will be because the unemployed do something bad to retaliate against their circumstances. They'll become a problem. People wonder why kids down the south throw rocks at trucks and don't seem to understand that they are angry with society³⁷.

So, the fact that this was a challenging, and in all likelihood a costly, problem to deal with, led to it being put aside. Further, as Woolley noted, young disadvantaged people had no-one to champion their cause. Mark Butler, a member of the Social Inclusion Board and at the time also State Secretary of the Liquor, Hospitality and Miscellaneous Union, commented in similar vein:

³⁶ Interview, Madeleine Woolley, 2005.

³⁷ Ditto.

... youth unemployment keeps sort of falling off the edge of the table a bit because we spend so much time on the really hard end of social exclusion where people are a long distance from the workforce – very traditional social exclusion. So for that reason I think we haven't quite got to that, almost softer end of social exclusion³⁸.

It is nevertheless eminently foreseeable that inattention to the 'softer end', as Butler saw it, is likely to widen the margins at the 'hard end'. The South Australian Strategic Plan Progress Report, released in 2006, gives a clear indication that youth unemployment had deteriorated since 2003:

Two years after the June 2003 baseline, South Australia's youth unemployment rate had deteriorated (from 24.3% to 27.9%), while the Australian rate had improved (from 21.5% to 19.8%) (Principal Measuring Tool above). That is, South Australia's position was worse both in absolute terms and relative to the Australian average, the latter being the focus of this target. However, this represents a given point in time, June each year, which is unreliable due to statistical volatility and the small sample size of the group. The 'youth work and learning ratio' (Supplementary Measuring Tool above) is a broader, less statistically volatile measure which essentially measures the proportion of young people who are 'satisfactorily engaged'. This ratio also shows deterioration in South Australia's position to 2004, both in absolute terms and relative to Australia, with some recovery in 2005-2006 (South Australian Strategic Plan Audit Committee 2006:11-12).

The South Australian Strategic Plan Audit Committee recommended in response that the 'youth work and learning ratio' be adopted as the principal measuring tool, with the youth unemployment rate to be relegated to 'supplementary measuring tool' status (South Australian Strategic Plan Audit Committee 2006:12). It goes without saying that this rate will undoubtedly be more successful because of legislation to lift the compulsory school leaving age, first to 16 and eventually to 17. According to the South Australian Strategic Plan Progress Report, there has – predictably – been a marginal improvement already. Moreover, as young people

³⁸ Interview, Mark Butler, 2005.

'graduate' from the youth cohort of 15-24 into 'adult' unemployment, the youth unemployment figures can be expected to reduce further (and for the rate to decelerate over time because of the State's age dependency ratio).

1.4.4 School Retention

Youth unemployment, then, has become nested within a problem of educational engagement. Educational engagement is of critical importance if compulsion in itself is not to *lead* to social exclusion for some young people. Social Inclusion Board member Mark Butler spoke of the need to reform what he saw as outmoded thinking about this issue:

A ... I don't think our thinking's very developed on school retention. I think a lot of the thinking around school retention is old-style thinking. A lot of it comes back to the policy context. A lot of it requires a bit of rethinking from policy makers. Then I think, then I think it's important that there be a very different set of messages sent to parents and kids about their choices and what's a good choice and what's a bad choice. And I think up until pretty recently that those messages have been very negative: 'If you don't go to uni, you're a dumbie, and a nothing, and you'll never get anywhere' and I think that's just factually wrong, but it's – I think it's also unrealistic.

Q So that sort of attitude could actually be fuelling social exclusion?

A Absolutely. Absolutely. ... I think ... there are obviously things particularly that the Social Inclusion Board deals with that are at some of the really hard end of the problems with school retention – like absenteeism, kids basically not attending school, truancy levels, and then kids going off and committing crimes and all that sort of stuff. There are particular programs you need to put in place there and I think they've been pretty successful, some of the stuff that the Board's been working with education on. But I think there's a whole macro problem there that needs real thought.³⁹

³⁹ Interview, Mark Butler, 2005.

Offering a similar perspective, Bill Cossey commented that:

I'm a great believer in flexibility and individual pathways through our education system. ... Our system is too regulated and I think – if I can proffer a reason why I think that is – back in the early nineties and jobs were incredibly hard to get and governments were worried about unemployment rates, the thing to do was to keep kids at school and then go on to university hopefully. And, being a cynic, I think in many ways that was our society's way- inspired by governments who wanted to keep unemployment rates artificially low – that was our society's way of dealing with the shortage of available jobs. We have not adjusted the system to the changing economic circumstances over the last decade and we now face a situation in which I don't think many of us will know how to deal with because we haven't had to deal with it. I first looked for a job in the late nineteen-sixties when there were more jobs available for each job seeker than you could poke a stick at, and so, as potential employees we had an enormous range of choices available to us. We have not experienced that for most of the last thirty years. I don't think we know how to deal with it. And we haven't adjusted some of our institutional responses, including the education ones, to deal with it⁴⁰.

Cossey went on to put school retention into a context of changing economic needs, alluding not only to a looming labour crisis, but also to how this needed to align with the social inclusion agenda:

So, whereas I think government's role in the last decade has been to try and intervene to try to give every kid the opportunity to get as high as possible on the pecking order for the limited number of jobs available, I think that's going to shift. I think it's going to be more trying to make sure that every kid who's in school stays engaged long enough with education and training that, when they come out in – in whatever way they come out – they're actually able to take up the jobs that are going to be there as the baby boomers start to access their superannuation. So I think the role of government's going to be different and that's why I'm such a supporter of school retention being a really important part of a social inclusion agenda, particularly when – as these

⁴⁰ Interview, Bill Cossey, 2005.

results haven't been published yet, I'm just giving you a bit of a preview – particularly when it becomes known how big a divide there is between middle and high socio-economic South Australia and low socio-economic South Australia in terms of school retention under our existing system, anyway⁴¹.

The Social Inclusion Board's School Retention Action Plan (one of the few initiatives to benefit from a multilateral budget injection⁴²), was implemented in 2003 following a broad-based consultation process involving DECS, the independent and Catholic education sectors, teachers, parents, NGOs, community organisations, business, the vocational education and training sector, students, justice portfolio, human services portfolio, SA Unions, the Australian Education Union, the tertiary sector, industry associations, and local government (Social Inclusion Unit 2003). The Plan comprises a comprehensive set of what appear to be quite innovative programs targeting 'hard end' regional zones, and the most disadvantaged cohorts of young people. One tranche of the program aims to re-engage the young unemployed with formal education processes.

Early indications on youth retention suggest an encouraging degree of success. Programs were required to report 'on their achievements, outcomes for young people and systems change' (Social Inclusion Unit 2006:35). According to the preliminary evaluation report released in 2006, these programs have begun to produce positive outcomes on a range of indicators and will continue to be monitored to determine whether the positive trends can be sustained (Social Inclusion Unit 2006). In addition to the school retention initiatives, the government commissioned a review of the South Australian Certificate of Education in 2004. The review panel made recommendations in 2006 aiming to broaden curriculum and expand educational pathways for young people (Government of South Australia 2006d).

⁴¹ Interview, Bill Cossey, 2005.

⁴² Interview, Lise Windsor, 2006. Multilateral budgeting processes are explained in Chapter 2.

1.5 Management

This section focuses on issues associated with appointment of the Chair and Members of the Social Inclusion Board and provides some insights into the power hierarchy of the policy-making process. Augmenting bureaucratic advisory channels with independent expertise has become characteristic of contemporary forms of government (Freedon 1999). This is a strategy which has been embraced wholeheartedly by Rann Labor, yet one which has provoked considerable controversy. In a very recent speech alluding to the achievements of the Social Inclusion Initiative, Rann defended his action in delegating substantial power to Monsignor David Cappelletti, acknowledging that the appointment 'had ruffled some feathers', but stressing also that it was important that the Board 'was made up of *innovative thinkers*, and wasn't captured by *interest groups* (Rann 2008, original emphasis). The problem with 'independent' appointments is that many of these people do have vested interests, and their appointments give them considerable power and influence on the workings of government.

1.5.1 Chair, Church and Commissioner

The appointment of a pre-eminent church dignitary to the top social inclusion role may have taken a cue from the British. Heather Parkes, while unable to confirm this, thought it was probable. As noted above, the Reverend Peter Thomson's views were highly influential and, as 'one of Britain's most influential people', Thomson was reported to be a 'close friend and mentor of the British Prime Minister, Tony Blair' (Donovan 2006); Blair, open about his Christian faith, has been described as 'Britain's most overtly religious prime minister for more than a century' ('Blair vows to keep the faith – but not US style', *Sydney Morning Herald*, 24 March 2005), and Rann's first close encounter with 'social exclusion' in a social policy context, as he talked about during interview, arose during his meeting with the former Anglican Archbishop of Canterbury, George Carey.

It has been suggested that Rann may have personally identified Cappelletti to Chair the Social Inclusion Board⁴³. Certainly he approached Cappelletti personally, telephoning him directly the day

⁴³ Interview, Heather Parkes 2006.

after taking up office (Newman *et al.* 2007:46, citing Cappel). Rann announced in mid-April 2001 that a 'prominent person' would head the Initiative, but did not reveal who this person might be ('Social Justice Scheme', *Advertiser*, 14 April 2001). In the *Australian*, it was later reported that Cappel had met Rann only twice prior to Labor taking office in 2002, after which the 'political friendship rapidly deepened' (Wiese Bockmann 2006b).

Rann was unequivocal about the extent of Cappel's delegated power:

... the message I got from Tony Blair's people is that it was critically important that the Social Inclusion Initiative, its Board and the Unit, reported to the Head of Government, rather than to a Minister. Otherwise things would be even further – you know we were likely to get resistance, but the power of the Premiership behind David Cappel gave him extra edge with public service heads, as well as with people in the community sector and elsewhere. So it was critical that it was located at the heart of the Premier's Department; it was critical that people knew that David Cappel had the absolute backing, explicit and implicit, of the Premier. And that was important for Ministers to know, heads of Departments to know, and others to know. I think it was really important⁴⁴.

Cappel's position as a key advisor to government has been further consolidated over time. He sits on South Australia's high-powered Economic Development Board (EDB) and, together with mining magnate and businessman Robert Champion de Crespigny (former Chair of EDB), was appointed in April 2005 to the Executive Committee of Cabinet – the 'inner sanctum' of South Australian government (Wiese Bockmann 2006b). One might be suspicious about why this privilege was not granted to Tim Flannery, from the Premier's Environmental Sustainability Roundtable; perhaps his attachment to an 'interest group' was a risky proposition. The two appointments to the Executive Committee of Cabinet provoked substantial controversy for several reasons. Such appointments are usually occupied only by elected parliamentarians who answer to parliament for their actions, because in the case of non-elected members lines

⁴⁴ Interview, Mike Rann, 2005.

of accountability are obscured ('Rann has "run out of talent"', *Advertiser*, 20 April 2005). The traditional separation of powers under Westminster principles was said to have been compromised; and, in the case of Cappa's appointment at least, so had the institutional separation between church and state (Wiese Bockmann 2005). The Opposition complained that the Church was being used to stifle dissent, as it would be politically unsaleable 'to take on a highly capable and well-respected Catholic official for fear of isolating a crucial constituency' (Wiese Bockmann 2006b). Catholic Liberal MP Julian Steffani even claimed that Canon law had been breached as clerics were forbidden from assuming 'public offices which entail a participation in the exercise of civil power' (Wiese Bockmann 2005). From the start, however, Rann was determined to obtain advice from a broader range of sources than simply the bureaucracy⁴⁵. During interview, he was quick to deflect journalistic finger-pointing:

Now this was written up in the *Australian* as being, not only a breach of the Westminster tradition and the separation of powers, but also a breach of the tradition of the separation of church and state – which was plainly bullshit. ... And it just showed the extreme naivety of the journalists⁴⁶.

There is nonetheless good reason why such concerns should be raised. As Bessant *et al.* remind us, '[p]rofessionals bring with them ideas about how things should be done' and that 'they also contribute ideas about what the problems are and how they should be responded to' (Bessant *et al.* 2006). Many value-laden social issues, such as gender equality, single parenthood, sexual identity, domestic violence, divorce, or abortion, to name just a few, may well intersect with how exclusion 'policy problems' are framed or indeed ignored (Bacchi 1999). Cappa is said to subscribe to the values of Catholic Social Teaching which, on the face of it, provide a principled and ethical framework for social organisation⁴⁷. Moreover, he has been

⁴⁵ Interview, Moira Deslandes, 2005. As well as a range of advisory boards, the government has established a Thinkers in Residence Program, through which high profile specialists from interstate and overseas, often academics, are invited to live and work in South Australia for several months at a time. On completion of the residency, each provides a formal report and recommendations for the government's consideration.

⁴⁶ Interview, Mike Rann, 2005.

⁴⁷ See the Australian Political Ministry Network website. The influence of the Church is examined briefly in Chapter 4.

vocal in condemnation of the Howard Government's 'mutual obligation' regime (see Chapter 7) which he rejects as detrimental to community life and human dignity:

The growing emphasis on so-called mutual obligation in particular should cause us much concern. ... I believe the system of mutual obligation is in fact a serious threat to building an inclusive society; stigmatising and degrading citizens instead of building bridges of confidence for citizens in need and establishing policy and programs that encourage, support and include citizens in the life of the community. However, I am afraid we have a long way to go before we will see a shift in this policy and its programs.

It is important that we do not allow ourselves to be seduced by language that appears reasonable in the mutual obligation debate, for when we dig deeper we find a ferment of inequality, structuring into our systems what I believe to be notions of second class citizens (Cappo 2002, addressing ACOSS Congress 2002).

Cappo, to his credit, can be commended for speaking out publicly about the injustice that this coercive regime has imposed on some of the most vulnerable people in the nation⁴⁸. Yet on the basis of quite discriminatory elements of Catholic Church doctrine, some segments of the electorate may consider undue Catholic influence over government policy, or indeed, suppression of contentious issues from the social policy agenda, objectionable. One commentator's indignation is patently clear. His letter to the *Sunday Mail*, South Australia's weekly newspaper, is typical of some of the comments that were bandied about at the time:

... what a lot of us see is not something to be applauded but a state Premier showing contempt for our secular political traditions and SA voters by appointing someone to Cabinet who would not be elected because he chooses to show allegiance and absolute obedience to a religion, its dogma and the orders of the autocratic leader who dictates that dogma. His religion's exclusion of women and gays shows he cannot both believe in it and believe in inclusion. He isn't a suitable person to be even chairing the Social Inclusion Board (Drennan 2005).

⁴⁸

Interestingly, a number of interviewees suggested that, as far as they were aware, the Chair had not actually engaged in dialogue with the Commonwealth on this matter. Influencing Commonwealth policy is, however, within the Board's terms of reference (see Appendix 1).

Whether Cappo's objectivity is in question as a result of his allegiance to the Catholic Church is, however, beside the point. His objectivity must be *seen* to be beyond question. In addition to these concerns, there are considerations of pecuniary interest. The government's provision of a \$15 000 grant to the Catholic Church to support a memorial service for the late Pope John Paul (Wiese Bockmann 2006b) could well be objectionable to the secular 'taxpayer' on the basis that it is seen to serve sectarian interests, rather than the public interest of the broader community. Equally, one could question whether the provision of \$15 000 for a Catholic conference and 'lavish civic reception at a five-star hotel' immediately prior to the 2005 election was either appropriate or sensitive (Wiese Bockmann 2006a).

The issues of accountability, confidentiality and conflict of interest (in relation to both Executive Committee appointments) prompted questions from the Liberal Opposition in Parliament:

Mr MEIER (Goyder): Will the Premier explain to this house how non-parliamentary members of his cabinet executive will be held accountable to parliament in a manner consistent with the Westminster system? (South Australia, HA, *Debates*, 2005:2846).

Rann evaded the question and implied that the Emergency Services Committee of Cabinet, which included non-elected members, set a precedent for the appointments. The Member for Goyder pushed the issue further:

Mr MEIER: ... Will the two newly appointed non-parliamentary members of the executive committee of cabinet be required to make a full declaration and register of their pecuniary interests similar to members of parliament? Will they be bound by cabinet confidentiality?

The Hon. M.D. RANN: Of course they will be bound by cabinet confidentiality, and of course they will be bound to declare any potential or actual conflict of interest (South Australia, HA, *Debates*, 2005:2846).

As can be seen from this exchange, the accountability issue remained unanswered in Parliament, and there does not appear to be a record of any such declaration being made by either of these men who have been given such significant influence in the State's political decision-making processes.

While it has been acknowledged that there is some value in government broadening its avenues for advice and engaging with people sitting, as Simon Schrapel phrased it, 'outside the political spectrum', reservations have nonetheless been expressed about the potential of such a move to compromise the democratic process⁴⁹. From his perspective as SACOSS Board Chair, he also saw another side:

Well, I've got mixed views about it. I mean I think that the criticism that's been levelled at it has some justification. I think there's some obvious stuff about what it actually means for a democracy when you can actually have people appointed as opposed to elected when you're sitting on such a central body, and a powerful body⁵⁰.

Another comment, this time from Madeleine Woolley, suggested that the interests of broader constituencies, and the environmental sector, may not necessarily be best represented by the appointment of these two men of high social privilege:

[The appointments are] a challenging move, because they represent two major community constituencies on the Executive Committee in deliberation of the State Plan, that is, the economic and social policy planning and targets. Those constituencies have been represented by two individuals. The connection between the work of the EDB and the Social Inclusion Board has attracted some criticism. Some have argued that the two Boards have limited capacity to deliberate on aspects of the SASP eg the environmental lobby⁵¹.

⁴⁹ Former South Australian Senator Nick Bolkus, in conducting an evaluation of the Rann Government's performance over a five year period viewed the Executive Committee of Cabinet appointments with approval, commenting that this was a 'much more inclusive and honest approach to handling dissent within the Westminster System' (Manning 2007:651).

⁵⁰ Interview, Simon Schrapel, 2005.

⁵¹ Interview, Madeleine Woolley, 2005.

This is certainly a reasonable criticism, in light of the fact that the economic agenda often does conflict with environmental concerns.

In April 2006, Cappelletti was appointed Commissioner for Social Inclusion, receiving \$100 000 per annum on the State's payroll in a newly-created position charged with reforming the troubled mental health portfolio as well as the juvenile justice system (Rann 2006). This appointment occurred several months after the resignation of Minister Lea Stevens late in 2005 from the health portfolio (and from her role as Minister Assisting the Minister for Social Inclusion) due to her own personal health problems. The Minister Assisting appointment was not refilled, presumably because the administrative reshuffle and Cappelletti's elevation to Commissioner (albeit at a greater financial cost to the government than retaining a Minister Assisting) obviated the need for additional Ministerial assistance in the Social Inclusion portfolio. No explanation about this was given publicly however.

Cappelletti, who in his role as Commissioner supports the current Minister for Mental Health Gail Gago⁵², now acquires four major roles on behalf of the State government – SIB Chair, Member of the Executive Committee of Cabinet, Member of EDB, Commissioner of Social Inclusion – as well as his substantive responsibilities as Vicar-General, and, amongst other things, his role as a board director of the national mental health initiative, *Beyond Blue* (Wiese Bockmann 2006b). His workload is intense: 'I work at a huge pace. I am working a seven-day week and I am constantly doing something. ... it is huge, huge pressure (Jory 2006). Board member Ingrid Marshall also alluded to Cappelletti's workload, commenting:

How the Chair of the Social Inclusion Board is putting in the hours of a full-time role just in his Board position, let alone his other responsibilities, I don't know how he does it⁵³.

⁵² Rann announced the Ministerial changes in a statement to Parliament on 27 April 2006 (South Australia, HA, *Debates*, 2006:4). Of interest, a new Substance Abuse portfolio which sits in parallel with that of Mental Health.

⁵³ Interview, Ingrid Marshall, 2005.

Cappo is obviously a man driven to fulfil his mandate and has significant opportunity to push his agenda⁵⁴. In a statement to the Parliamentary Estimates Committee in July 2002, the Premier advised that:

Essentially, cabinet will refer references to the social inclusion initiative, and the Social Inclusion Unit (the director of which is Heather Parkes) will report to Mr McCann, the head of the Department of [the] Premier and Cabinet, and of course, David Capo [sic], as chair of the board, is driving the social inclusion initiative [sic] (South Australia, HA, *Estimates C ommittee A*, 2002:4).

So it can be seen from this that Cappo's capacity to influence government is profound. As a member of the Executive Committee of Cabinet, he is able to contribute to Cabinet decisions about the Board's agenda, and as Chair of the Board, he can also channel advice to Cabinet through the Premier, including decisions about funding priorities (see Appendix 1). He is reputedly a forceful personality, 'with a mission to tear down public service fiefdoms' (Wiese Bockmann 2006b) and in this regard is not shy in exercising his authority. He acknowledges 'being quite confronting at times', believing it gives him 'more leverage with bureaucrats' (Ritorto 2006). The *Advertiser* reported that 'Rann famously carpeted a group of senior public servants after Cappo complained midway through his first term about public sector resistance and red tape' (Wiese Bockmann 2006b). More recently, Rann was unapologetic about having 'given David Cappo a mandate for *action* that goes well beyond an advisory role' (Rann 2008, original emphasis).

In addition, Cappo has primary responsibility for the Board's public communications (Appendix 1), and in this regard uses local media regularly to promote the work of the Board, or advocate for the disadvantaged, or indeed, cajole the public sector (Bildstien 2005). This point is raised in acknowledgement of Bessant's observation about the absolutely critical role that the media

⁵⁴

In 2008, Cappo was appointed as Deputy Chair of the Australian Social Inclusion Board established by Prime Minister Rudd ('Rough and smooth passages in political circle of friendship', *Canberra Times*, 29 May 2008).

plays in contemporary public policy development (Bessant *et al.* 2006:264). As Cappelletti is effectively the Board's sole interface with the media, this role also consolidates his influence in leading public opinion and agenda-setting. He often exercises 'diplomatic immunity' from media interrogation, declining to be interviewed, or declining to comment on particular matters raised by journalists (Manning 2006:673; Sandy and Hunt 2006)⁵⁵. On the other hand, as his regular columns are not mediated by journalists, he has a direct line to the public, control over what issues to bring, or not to bring, to public attention and discretion as to how they are framed. Moreover, other Board members (who, after all, may have alternative views) do not have a corresponding right.

1.5.2 Board Membership

The members of the Social Inclusion Board, initially numbering eight, were announced in March 2002 (Government of South Australia 2002). Including the Chair, three men and five women made up the inaugural Board, which was not constituted on a representative basis but on the base of expertise. All of the people appointed had a high profile, held executive level positions, and occupied or at some time had occupied other management board roles with a 'community service' type brief (Government of South Australia 2002). Despite their status as 'experts' some members of the Social Inclusion Board were confused as to why they had been selected and what their role was – as the following passage from an interview with Heather Parkes reveals:

A ... the Board, the selection of the Board, was initially a puzzle to some of the Board members as well.

Q They didn't realise why they were on?

A Well mainly because I don't think they were clear about what the job actually was, and at the beginning nobody was, and there were five reference areas that we were given and people really struggled to come to terms to understand what did it mean in *our* context, in South Australia,

⁵⁵ The Chair and all Social Inclusion Board members, amongst others, were invited in writing to participate in interviews for this thesis. Cappelletti declined the invitation.

what did it mean? You know, there was rhetoric around, 'joined up government', there was rhetoric around, school retention, drugs, but not 'what is it about drugs that we're really trying to address?' So I think for a while it was grappling with, what is it we can really do about it [original emphasis]⁵⁶.

She recalled that Board appointments were given priority and made with some urgency:

A It was very high priority of the government when they first got into office, it was a very rushed process and what happened was, that the Board was already selected as a first step before anything else happened. The Board themselves had been selected by the Premier.

Q Oh – by the Premier personally?

A Yes, well that was what I was advised. I was told who the Board were before I was appointed – and I think Monsignor Cappo may have had some say in some of the Board appointments as well. I think he was selected first and then they had some discussions over it – which I certainly wasn't privy to – but I was told who the Board members would be ...⁵⁷.

During her interview Parkes indicated that, at the time, she had had reservations about the constitution of Board membership: from her perspective, it was not properly representative of the community and somewhat biased towards the private sector. It is true that only one Board member, Madeleine Woolley, held a public sector position (however another inaugural appointee, Peter Kirby, had previously had long-term experience as public sector agency chief both in Victoria, South Australia and the UK) (South Australia, HA, *Estimates Committee A*, 2002:4). While it would have been virtually impossible to ensure all community constituencies were included on such a small committee, the Aboriginal representation was a notable omission:

⁵⁶ Interview, Heather Parkes, 2006.

⁵⁷ Ditto.

....and then subsequent to that [i.e. the inaugural appointments] I suggested that there should be an Aboriginal representative on the Board because they hadn't had an Aboriginal representative and they accepted that and added an Aboriginal representative to the Board⁵⁸.

Aboriginal representation would have been prudent in recognition of the disproportionate levels of poverty and disadvantage suffered by the Aboriginal community relative to non-Aboriginal South Australians. Moreover, one of the first initiatives proposed for consideration (and subsequently dropped) was 'Aboriginal Action Zones'⁵⁹. Rann had indicated to a Parliamentary Estimates hearing in July 2002 that 'Aboriginal health and morbidity' issues and 'youth suicide' would be examined 'further down the track' (South Australia, HA, *Estimates Committee A*, 2002:4). As a result of Heather Parkes' intervention⁶⁰, Professor Roger Thomas, a respected member of South Australia's Aboriginal community, and Director of the Wilto Yerlo Centre for Aboriginal Studies at the University of Adelaide, was appointed in August that year⁶¹. Even so, the *initial* failure to embrace Aboriginal representation sits oddly with what is claimed to be Rann's personal ownership of and interest in the Social Inclusion Initiative, as well as his previous experience as Cabinet Minister of the Aboriginal portfolio. As Bill Cossey had commented:

I think ... there would definitely be some aspects – not all, necessarily – but some aspects of the social inclusion agenda that our Premier has an absolute passion for. I think that, as a former Minister for Aboriginal Affairs, I think he does have a genuine passion for those people – Aboriginal people – who, quite clearly, are always going to be a focus of the social inclusion agenda. ... [T]here's no doubt that the Social Inclusion Initiative is very much one that the Premier regards as his. And I think that there are several aspects of it that quite clearly appeal to, or he feels the need to respond to as a compassionate leader ...⁶².

⁵⁸ Interview, Heather Parkes, 2006.

⁵⁹ Ditto.

⁶⁰ Ditto.

⁶¹ Interview, Roger Thomas, 2005.

⁶² Interview, Bill Cossey, 2005.

Another issue with regard to Board composition was gender balance. Public sector guidelines require that every attempt should be made to ensure gender balance on government's boards and councils⁶³. Although gender balance was biased toward the female side on the inaugural Board, there has been significant slippage in the opposite direction at various times as members were replaced. Board numbers were ultimately increased to ten. At one stage the ratio was three female to seven male members – a situation in clear contravention of government guidelines as well as target T5.1 in the South Australian Strategic Plan (Government of South Australia 2004). While the Premier is formally responsible for Board appointments, it is understood (on the basis of Cappel's initial involvement with membership choices and various comments from insiders) that the Chair exercises the final veto in practice. In the Board Terms of Reference (Appendix 1) it is stated that:

Members will be appointed by the Premier for a two-year term, subject to review of performance every 12 months. Board members can be reappointed for more than one term whether consecutive or otherwise.

The performance of Board members is supposed to be reviewed by the Chair and the responsible Minister⁶⁴, who, in this instance is the Premier (however some doubt has been cast on whether it occurs at all as a formal procedure). Membership turnover has obviously been considerable. As of the end of 2007, apart from the Chair, only Roger Thomas remained on the Board from the initial round of appointments. Gender balance, however, had shifted in a more positive direction.

⁶³ This is a standard requirement in appointment to government boards and committees, see Government Boards and Committees, Guidelines for Agencies and Board Directors at the Department of the Premier and Cabinet website, accessed on 3 April 2004. Moreover, achieving such balance is stated as a government objective in the South Australian Strategic Plan (Government of South Australia 2004:45). As a concept, 'social exclusion' has gender implications (Daly and Saraceno 2002); in operational terms 'social exclusion' policies have been exposed as discriminating against some women (Levitas 1998) (albeit in a macro policy setting quite different from the South Australian context). One interviewee, who preferred to remain anonymous, indicated that Cappel was alerted to the gender balance issue but did not think it was important.

⁶⁴ Government Boards and Committees, Guidelines for Agencies and Board Directors at the Department of the Premier and Cabinet website, accessed on 3 April 2004.

Conclusion

This chapter has generated a number of insights into the background of, and context for, the establishment of the Rann Labor government's Social Inclusion Initiative in South Australia. From an exploration of the views and experiences of key people associated with the policy-making process, or indeed, outside it, several general observations can be made. Labor in Opposition was confronted by deteriorating social and economic conditions that had begun to bite from around the early-1980s. Britain's Social Exclusion Initiative offered an innovative model through which Labor felt it could appeal to the electorate, expressing its traditional commitment to social justice principles by combining social inclusion objectives with an economic policy agenda. While the British model had yet to prove itself, Rann's personal connection with Blair, and discussions with Blair's associates, were decisive influences on the local adoption of a 'social inclusion' agenda and the administrative structures and processes supporting it. The concept was disseminated through SA Labor ranks and at least some of the contributions from a community welfare sector forum were highly persuasive in shaping Labor's platform for government. It has been suggested that Rann himself may have selected the Chair of the Board, and with the Chair, was responsible for inaugural Board membership. In a departure from the traditional Westminster model, the Chair was delegated considerable power and authority. He exercised strong influence on the 'social inclusion agenda', the design and implementation of the Social Inclusion Initiative and, presumably, on Board appointments. Others, such as Unit personnel, have also brought their own professional expertise and ideas to the operational context. Early confusion about what 'social inclusion' was actually about, or what the Initiative was supposed to achieve, appears to have arisen from a lack of overall definition, but also from ill-defined issues references. As a minority government, Rann Labor was anxious to 'hit the ground running' and publicly demonstrate a difference very quickly in its first term. Pragmatics, plus cost factors, resulted in the Initiative taking a narrow focus – symbolism rather than substance. Political pragmatism not only narrowed the choice of policy 'priorities' but also compromised the scope of the work, as exemplified by homelessness being represented as 'rough sleeping'. School retention as a high priority reference quickly and expediently subsumed 'youth unemployment'. Education thus took the foreground, similar to

British Third Way preoccupation with supply-side human capital development policy. Politically and ideologically it served a dual purpose. Redressing educational inequalities could be defended in terms of overcoming skills shortages and labour shortages and, if only on the surface (as will be discussed further in Chapter 3), meeting Labor's traditional commitment to 'equality' as a social justice goal.

One of the Social Inclusion Initiative's particular challenges, which has persisted over time, has been the pursuit of 'joined up' policy. As can be inferred from Rann's comments (in 1.2.3 above), breaking down 'silos' quickly became a primary objective in the social inclusion strategy. The rhetoric of 'joined up' responses to pressing social issues has also been a prominent feature of the Blair Government's social exclusion model. Accordingly, the 'joined up' strategy underpinning South Australia's Social Inclusion Initiative is examined in Chapter 2.

CHAPTER 2

‘Joined Up’ Policy to ‘Joined Up’ Practice: ‘When does the rubber hit the road?’

At times it can be weighted just a bit too heavily on policy and procedure and actually, hang on, yes we've got to look at that, but it's also about outputs and outcomes and lots and lots of discussion's out there, but when does the rubber hit the road?

Ingrid Marshall, Social Inclusion Board Member, 2005

It goes without saying that any policy formulated at the political level has to be implemented at the administrative and operative levels. Activities at the administrative level are determined by the availability of resources, human and material, and by the particular organizational or managerial theory followed by the organization. It is important to note that the process of implementation of a policy through the medium of an administration structure converts the nature of the issue from political to technical, thereby removing the issue from the political arena. This means that ... in the case of a service inadequacy or malfunction, the explanation is no longer one of the 'lack of political will' but one of 'technical inadequacy'.

Adam Jamrozik (2005:63)

2.1 Introduction

A collaborative, responsive, and 'joined up' operating environment is, in a sense, a symbolic critique of the inflexible and monolithic 'Fordist' bureaucracy pilloried in the satirical *Yes Minister* series. The idea of 'joined up' government characterised by policy coherence, integrated program delivery, and public sector cooperation is neither a new one nor an unreasonable one (Bridgman and Davis 2004:93-209). In recent times, it has enjoyed resurgence as a well-publicised hallmark of the British social exclusion model in recognition that 'joined up problems' demand 'joined up' solutions. In practical application, however, 'joined up' working has proved extremely problematic. This chapter seeks to reveal the extent to which this strategic approach is providing a credible means of tackling the entrenched social and economic disadvantage that appears to have accompanied the abandonment of the Keynesian synthesis. Various strategies have been introduced by the government to shift the public sector 'culture' away from 'silos'

towards more co-operative and collaborative ways of working. As touched on in the previous chapter, the apparent failure of the public sector to engage in 'joined up' processes rapidly took the foreground as a major problem in its own right, transferring the ownership of the problem, as Jamrozik suggests, from government to bureaucracy, and converting the nature of the problem from political to technical (2005:63). The views and perspectives presented below suggest that, in the flux of reform, the public service has struggled to reconcile equity and efficiency objectives because of the demands of managerialism, the reality of resource constraints, and the continuing obligation to service commitments defined by traditional portfolio responsibility.

2.2 The 'Joined Up' Context

A co-ordinated, or 'joined up' response to the various manifestations of social exclusion is a feature which is claimed to distinguish the approach from previous social justice, or access and equity, arrangements. It positions 'systems' change and public sector reform at the forefront of the agenda to embed the ideal that social and economic objectives should be pursued together; social inclusion objectives should actually *drive* changes towards more inclusive social and economic policies. During interview, former Social Inclusion Unit Executive Director Madeleine Woolley reflected on how the social inclusion approach differed from attempts to address social injustice in the past:

I think the distinction ... is about the distinction between attempts of the State and national [governments] through initiatives- and I'm thinking about some programs around *Australia Reconstructed* and *Working Nation*. Efforts around those were certainly driven by policy, but I don't think people necessarily understood policy, so there were programs, and there were projects. Of course you bid for money and then you delivered a program and that was it. The system did not necessarily change as a result of those programs. So we got as much money as we could to run programs which may have been much the same as what we were running before, we were just doing more. We might have been running them for the unemployed, or different criteria or whatever. But the effort in this particular area now is to try and do both – which is influence the policy which then receives funding to deliver programs or to adjust the programs

that are currently being delivered in order to connect the two and change the system. So this is more of a systems approach, that is, a systems approach to policy driving⁶⁵.

Rann's previous experience in government, as is evident from his comments reported in Chapter 1, had led to some degree of frustration with what in public sector jargon is commonly referred to as the 'silo mentality'. In other words, he was alluding to the tendency of agencies to concentrate on their core business to the exclusion of problems for which no single agency was prepared to claim responsibility. Gaps in coverage have therefore meant that some problems stubbornly persisted. Moira Deslandes, former Chief of Staff to Labor Minister Trish White, who had obviously been exposed to the public sector 'culture' first-hand, echoed Rann's sentiments. She had had early involvement in discussions about the social inclusion model and at the time had advocated strongly for the Unit to be located within the Premier's own portfolio: this was the only way that cross-portfolio coordination and coherence with central policy objectives could be properly achieved⁶⁶. During interview, Rann too was emphatic that his continuing ownership of the social inclusion portfolio signalled to the public sector that the government was serious about meeting these objectives and, basically, did 'not intend to let up'⁶⁷.

From Social Inclusion Board member Bill Cossey's viewpoint, cross-agency collaboration had been an ongoing challenge for current and previous governments (and indeed, this sort of challenge has been noted in public policy literature – see, for example, Bridgman and Davis 2004; Davis, Wanna, Warhurst and Weller 1993; Keating 2003). In the current 'social inclusion' policy context, cooperative and collaborative reform and relationship-building took substantial time and energy and tended to dominate the Board's agenda:

Well, one of the biggest agenda items for the Social inclusion Board is the whole area of 'joined up government' and I think we've wrestled with that pretty much ever since the Social Inclusion

⁶⁵ Interview, Madeleine Woolley, 2005.

⁶⁶ Interview, Moira Deslandes, 2005.

⁶⁷ Interview, Mike Rann, 2005.

Initiative was created. But I'd have to say that, from my thirty-odd years in government, the most difficult issues that governments and public services have to deal with are always the ones that cross the boundaries – just as the issues cross the boundaries⁶⁸.

The extent to which the 'left hand didn't know what the right hand was doing', according to another Board member, Mark Butler, was not only 'depressing' but 'energy-sapping':

I think a lot of the energies of the Board and the Unit are at that sort of logistical level of getting Departments working together, talking together. It's been a real eye-opener to me, to the degree to which that just doesn't happen, and how depressing that is, particularly in areas of social exclusion where you have three or four departments working in an area like The Parks, and they just have no idea what each other is doing ... so my hope is that the Board, or the Initiative, will be less and less focused on matters [like] how the culture of the public sector improves, and will actually be able to focus more on outcomes. Because I think it has a lot of its energy sapped by just that, those territorial borders⁶⁹.

For Ingrid Marshall, a senior corporate executive also on the Board at the time, breakdown of the 'systems' appeared almost to be the reason why social exclusion symptoms were on the rise:

Q ... Why do you think the government considered a Social Inclusion Initiative necessary at the time – by at the time I mean our contemporary times?

A Well, you only have to look at the social indicators don't you – whether that's health, employment – you know, third or fourth generation, teen pregnancy, drug issues, our juvenile justice systems, homelessness issues, there were so many indicators –

⁶⁸ Interview, Bill Cossey, 2005.

⁶⁹ Interview, Mark Butler, 2005.

Q Why do you think those things were on the increase? Why are those indicators appearing?

A Because of the breakdown in the systems⁷⁰.

Indeed, Marshall went so far as to say that 'the whole objective of the Social Inclusion Initiative is ... integrating social policy into the fabric of the decision-making process, overarching policy development, etc etc'⁷¹. This in itself reflects the extent to which 'joined up' work dominated the agenda; the *cause* of social exclusion, expressed as increasingly widespread indicators of disadvantage, has almost come to be represented not so much as a failure of welfare state institutions (Raveaud and Salais 2001, see Chapter 4) but rather a failure of the bureaucracy. These two ideas can, of course, be linked by ideology associated with debates about the demise of the welfare state: 'the state has become too big, too costly, too rigid, too standardised and too insensitive to individual identities. The public sector, rather than the government, must accordingly find enterprising ways to 'do more with less' (Considine 2001:5-7).

2.3 Strategies for Change

Early in its first term, the government introduced a number of specific strategies to facilitate a more coordinated and collaborative approach (not only in relation to social inclusion, but to the government's strategic objectives more broadly). Monsignor David Cappelletti's membership of the Executive Committee of Cabinet and of the Economic Development Board (discussed in Chapter 1) can also be seen as an attempt to forge better coherence between the government's social and economic objectives.

2.3.1 Public Sector Tenure

Traditionally, the public sector in Australia has been viewed as 'permanent, merit-selected, equitable, impartial' and 'outside the direct control of ministers' (Bridgman and Davis 2004:17).

⁷⁰ Interview, Ingrid Marshall, 2005.

⁷¹ Ditto.

However, over several decades, large-scale redundancies and changes to tenure for senior officers in particular have essentially eroded these conditions for a good proportion of public sectors across the nation (2004:17). A South Australian review into public sector performance in 2006 established an Office of Public Sector Reform as a more or less permanent entity⁷². The public sector reform process embarked upon earlier by the Rann Government had resulted in removal of tenure for all senior departmental executives with a view, according to the *Advertiser*, to 'preventing bureaucratic roadblocks to the implementation of government programs' (Kelton 2004). The same newspaper article reported that:

The move has been prompted by a review of public sector performance and continuing complaints from Economic Development Board chairman Robert Champion de Crespigny and Monsignor David Cappo of the Social Inclusion Unit that some policy moves were being held back by public service bureaucrats (Kelton 2004).

Several references in *Hansard* confirm that this did, in fact, occur with regard to the Homelessness initiative and the government's other objectives more generally. Rann made a number of complaints about his and Cappo's anger and frustration with public sector performance (South Australia, HA, *Estimates Committee A*, 2004:11, 17; South Australia, HA, *Debates*, 2004:1716-1717).

It is notable that removal of public service tenure across the board has been consistently advocated by the Economic Development Board, and in particular, by its Chair, Robert Champion De Crespigny. Except in respect of senior officers, the government, to its credit, managed to resist these persuasions (Parkin 2003a:598). However, short-tenured and contract appointments obviously move towards a more politicised public sector – and one in which appointees may well have, or indeed may need to have, a pro-government bias.

⁷² The Government Reform Commission (GRC) was announced in June 2006, headed by former Queensland Labor Premier Wayne Goss, and was required to report by the end of 2007. Following this, the Public Sector Reform Commission was established (Government Reform Commission website).

2.3.2 Dual Accountability

A corresponding move designed to improve outcomes was to legislate that Chief Executives be dually accountable to the Premier as well as to their portfolio Ministers. Again this is in contrast to previous arrangements under which public servants were 'outside the direct control of ministers' (Bridgman and Davis 2004:17). Under Rann's new regulation, agency chiefs were to be responsible to both the Premier and their Minister(s) for the achievements of targets in the State's Strategic Plan. Rann referred to this strategy with enthusiasm during interview – which again highlights the allure of novelty:

Well, one of the things that we wanted to do was to set some of the social inclusion targets in our State Strategic Plan, and to make that the, the sort of 'the Bible' of the government, about where we wanted to be in ten years from now: no other government's ever done that in Australia. But then, I changed the reporting requirements by law, rather than, I could have done it just through performance agreements with CEOs, to ensure that part of – that the CEOs reported to me, directly, not just to their Minister. So this is the first time it's been done anywhere in the British Commonwealth under the Westminster tradition that, rather than just being accountable to their Minister, they're also accountable to me in terms of delivering on the State Strategic Plan – and particularly in areas like, you know, what's been set down by the Economic Development Board and by the Social Inclusion Initiative. So, again, it was about trying to get buy-in and tie-in from the Government Departments that this, that social inclusion, was integral to their mission rather than just an add-on⁷³.

All agencies have since been required, in addition to any Social Inclusion Initiative references for which they have a shared responsibility, to report on progress towards Social Inclusion Agenda targets (Social Inclusion Unit 2005:7).

2.3.3 Interministerial Committees and Regional Ministerial Portfolios

'Joined up' activity was also facilitated by the formation of Interministerial Committees for each issue referred to the Board (as noted in Chapter 1), and by the establishment of ministerial

⁷³ Interview, Mike Rann, 2005.

portfolios for the South, the North and the North West (and more recently the City of Adelaide). These provided a fulcrum for the strategic coordination of policy and program initiatives and were claimed to be beneficial in enabling, for example, a swift response to the labour market displacement caused by the decision of local vehicle manufacturer General-Motors Holden to withdraw its third shift⁷⁴. However, all but the Southern Suburbs and City portfolios fell victim to budget cuts in September 2006⁷⁵.

2.3.4 Multilateral Budget

Bessant *et al.* make reference to the fact that the growth and complexity of portfolio areas over time has demanded a 'more competitive and complex budget process', which in turn has meant that

... central coordinating ministers and agencies have become more important in managing the competition between departments; for setting agendas that take on a 'whole-of-government' reach; and for holding ministers and their departments more accountable (Bessant *et al.* 2006:229).

The South Australian budget process and the importance of the central agencies in its coordination certainly reflects this direction. Bids for funding have traditionally occurred on a bilateral basis, whereby individual agencies justify their calls on central revenue on the basis of existing or expanded program activity, cost pressures, and new initiatives associated with their core business. A new multilateral budget process was introduced to encourage greater cross-agency collaboration on initiatives, linked in a strategic way, to focus efforts towards government's social, economic and environmental objectives. Although a similar sort of approach had been tried previously under Liberal administration, from Heather Parkes' observation, it had not managed to yield terribly impressive results – quite the contrary in fact:

⁷⁴ Interview, Lou Hutchinson, 2006.

⁷⁵ Interview, Lise Windsor, 2006. This change is not evident in any of the budget papers for 2006-7 (Government of South Australia 2006).

... there had been multilateral bids previously under the previous government. It wasn't a model that was totally unknown. They'd never been successful, but they actually had that process. That had been done before⁷⁶.

Labor's version of the multilateral process has similarly, according to some, failed in the main to generate opportunities for 'joined up' investment (although the process itself, from one perspective, has catalysed closer cross-agency cooperation outside budget processes⁷⁷). One problem that has been identified with regard to this is that agencies' core business activities and legitimate 'cost pressures' will always have priority over *new* initiatives (which multilateral proposals inevitably are). Furthermore, the Department of Treasury and Finance has an exceedingly strong power base as the central agency holding the purse strings, not to mention the support of a proudly self-proclaimed fiscal 'dry' Treasurer (Parkin 2003a). Obviously there is a fundamental problem when equity and social justice goals are rebutted by determined neoliberal goalkeepers. Treasury is committed to conventional fiscal management procedures and, as Bill Cossey had observed, had not embraced change willingly if at all:

Q Do you think that the multilateral budget process has been useful in driving some of that [cross-agency] cooperation?

A I think it was a vain attempt, but until multilateral bids are the first bids that are considered rather than the last, when you've allocated all the bilateral money, and if you've got a little bit left over then let's come back to the multilaterals and see if you can make something of those, I don't think we've got anywhere near the benefit out of that process that we might have. And I don't blame the government for that; the Treasury very much understands bilateral processes – they invented them; they didn't invent multilateral processes and I don't think they know how to deal with them⁷⁸.

⁷⁶ Interview, Heather Parkes, 2006.

⁷⁷ Interview, Lou Hutchinson, 2006.

⁷⁸ Interview, Bill Cossey, 2005.

Madeleine Woolley's observations about the multilaterals were very similar. The way that the process was formulated, from her standpoint, needed much more planning and more resources:

I think it's been confusing and most people would say it hasn't worked. And they've put limited resources into it so it hasn't worked. People might say well, it's because Treasury won't play the game, but I think they need to investigate it properly. And it's on the agenda for public sector reform within government⁷⁹.

Another comment from Ingrid Marshall reinforced the impression that Treasury's power over resources was a real thorn in the side in terms of getting 'engagement' and enabling people to think differently. A 'culture shift' was sorely needed:

So we're [ie the Board] really starting to re-evaluate – what do we need to do differently that's going to jar people into thinking differently. And how we negotiate and influence Treasury at a high level. And whenever you mention Treasury, people's eyes roll and so on. And it shouldn't be. In a nirvana environment, Treasury are there to help us, they need to be our checks and balances. There is money to be allocated, so how do they work with us so that there's fair and equitable allocation – because everyone wants to dip into the pot, it's only so big. So there's a culture change required there that I know some people who work in Treasury would enjoy knowing that they can inflict pain on people via the Budget process, and it's a real shame because they should be approachable, and then there are some people there who are absolutely fantastic, and they help you work through the system, where there's others that just – well they see themselves as far more dictatorial. So, once again, Treasury – there should be a culture change in there. Make it happen, help us, if not we [need to] know why, and manage the risks of the community, and I don't think they approach it, as a generalisation, Treasury that is, as risk management. They approach it as being dictatorial⁸⁰.

Some of these challenges of working with Treasury appear to have been foreseen by Heather Parkes, as the Unit's first Director. While most of her staff had already been identified at the

⁷⁹ Interview, Madeleine Woolley, 2005.

⁸⁰ Interview, Ingrid Marshall, 2005.

time she joined the Unit, she felt that someone who knew the way around the budget system would be critical in terms of ensuring that the Unit was able to acquit its task:

... I proposed that we have an economist brought in to the Unit so that we could speak the language of Treasury and Finance when we were doing our work.⁸¹

A highly experienced senior economist from the Department of Treasury and Finance, Peter King, was seconded to fulfil this role. After his departure, this position was not replaced. Parkes had also proposed a budget framework, which in her view 'would have accommodated' the multilateral process. This was not supported:

I proposed that there be another area of work investigated which would be a social inclusion budget approach – which hasn't happened, but the Premier did say he liked the concept⁸².

The 'budget approach' proposal was obviously dismissed somewhere along the chain of command, however Parkes was not forthcoming about why, in spite of the Premier's informal support for the idea, it remained in blueprint form. Parkes favoured budget approaches as, in her consideration, they promoted inclusive practices and have been utilised effectively overseas. Canada, for example, used a budget framework to inculcate an early childhood development ethos nation-wide⁸³.

While it was seen as an essential ingredient to 'joined up' activity, the multilateral budget process, at least in its 'unresourced' form, appears to have detracted from enhanced collaboration across agencies rather than the reverse. Newman *et al.* found that it could actually be a 'disincentive to joined up working' (2007:29). Madeleine Woolley felt, moreover, that where the limited number of early bids had been successful, the auditing framework was somewhat onerous:

⁸¹ Interview, Heather Parkes, 2006.

⁸² Ditto.

⁸³ Ditto.

...it's been very hard. The ones that have got up, and we've had four of them, obviously they're things around social inclusion, they are multilateral bids, and the auditing requirements for those, you know, were considered to be really lengthy and difficult. I think this is because we are asking different and more incisive questions about results⁸⁴.

Jan Patterson, from the Social Inclusion Unit, talked at some length about the complexities associated with funding processes, which for her also had a deterrent effect on 'joined up' ways of working:

I think that, without a multilateral budget process, or without a process that allows greater sharing of funds between agencies, it's very difficult for people to work in a 'joined up' fashion. There's only so far that they can go before it impacts on budgets, and as well as that, 'joined up' work takes time and effort and most agencies aren't resourced to actually put that time and effort in, and because of the way that funding works for particular programs and that, you can't easily – without taking a bit of the funding from somewhere and putting it with something somewhere else, even if you're allowed to do that, because of the detrimental effect it can have on the program that you've got going. And that's one of the big issues I think that people are struggling with about using resources better, is as to how you do that. It's not just a matter of stopping one thing and starting another – it's much more complex than that and we need a financial system that can actually allow public servants to do that in a much more flexible way than currently – and, be accountable for what they do – I'm not suggesting that people aren't accountable. But it's not just financial accountability, it's actually accountability about what it is that they're delivering and what the outcomes and benefits are from that⁸⁵.

The Social Inclusion Initiative has apparently since sought to include Treasury in discussions about new 'joined up' initiatives from the outset rather than after a course of action had been determined. During an interview with researchers Newman *et al.*, the Chair of the Board alluded to the importance of funding in relation to the achievement of social inclusion outcomes, and the

⁸⁴ Interview, Madeleine Woolley, 2005.

⁸⁵ Interview, Jan Patterson, 2005.

consequent need to engage with State Treasury early on in planning processes (Newman *et al.* 2007:73, citing the Social inclusion Board Chair). However, the extent to which this happens is still said to be somewhat limited and unsatisfactory (J Patterson, Pers. Comm. 6 February, 2008).

2.4 Barriers to Collaboration

In addition to the problems relating to funding difficulties and the budget processes generally, people interviewed offered a diverse range of views as to what the main impediments to collaborative working relationships actually were. In contrast to the expanded role for the public sector under Dunstan, which was considered to be a critical factor in driving policy coherence and change, it has been argued that the Liberal years of 'downsizing' have impaired the public sector's capacity to implement policy changes effectively (Parkin 2003b). The following discussion focuses on some of the issues affecting public sector performance.

2.4.1 Government vs Bureaucracy

Cappo and Rann on several occasions have been publicly critical about public sector inertia and bureaucratic resistance to change (Cappo 2005; Kelton 2004). During interview, the Premier referred to these early frustrations:

... I think both he and I have been frustrated by, in the first eighteen months or so, by the public service not really – paying lip service to it, like hoping – 'Yeah, yeah, yeah, we agree with social inclusion' and rebadging things 'social inclusion' that were in fact things that they were doing anyway. ... I think it's taken – I went back to Downing Street in May and had a talk with some of the policy people and I expressed my frustration at the rate of progress and the rate of, the pace of change, and when I told them what had been achieved, they said, 'Well, we've experienced that and can't believe how fast you've gone'. ... So, I mean I guess what I'm trying to do in all of these things is to send a message to public service chiefs, and the public service, that

we're taking social inclusion seriously – and I don't intend to let up, basically. And it's really important for David Capps to have that backing and authority⁸⁶.

This criticism of the bureaucracy has been publicly aired often and has given rise to some overt tensions between the government and the public sector. Madeleine Woolley believed this in itself had detracted from good working relationships between government and bureaucracy, that some people had felt insulted and demeaned by it:

... there are people across the public sector who would be extraordinarily insulted to think that they only do what they have to. There are some people I think, who put their heart and soul in it. The way they deliver, of course, is not necessarily what we might want⁸⁷.

Heather Parkes put these tensions down to the inevitable result of a cultural collide between the public and private sectors' different modes of operation:

I think it's a, it was a cultural clash in a sense. If you look at the people who are on the Board, most of them had strong private sector backgrounds...⁸⁸.

Perhaps this view also implies a lack of understanding by some Board members on what could realistically be achieved given the day-to-day pressures and operational constraints on the bureaucracy. From senior executive Lou Hutchinson's point of view, the notion of 'silos' was not entirely realistic:

...I'm not a great fan of the people who keep talking about silos. Government agencies by their nature have silo aspects, but that is as much to do with the need to act as a preference to act alone⁸⁹.

⁸⁶ Interview, Mike Rann, 2005.

⁸⁷ Interview Madeleine Woolley, 2005.

⁸⁸ Interview, Heather Parkes, 2006.

⁸⁹ Interview, Lou Hutchinson, 2006.

Janet Giles, the Secretary of SA Unions, expressed her opinion that, unlike previous Labor governments who, in her view, had been very supportive of the public service, the Rann government tended to use it as a whipping boy for its own inadequacies:

They're so anti-public sector worker. They blame a lot of their inability to get things to happen on the bureaucracy. ... Yes, they criticise the bureaucracy publicly; they use them as scapegoats when they can't achieve things politically. And they absolutely refuse to increase service provision. And that's just been a massive fight. They would prefer to solve problems by doing it in a different way rather than increasing the resource base. ... I do think we've got some structural problems within the public sector, I'd be the first one to say that, but you don't change things by abusing the people who are doing it, I think you actually work with them⁹⁰.

In other words, conventional wisdom currently dictates a conservative outlook in terms of government expenditure, and 'increasing services' is, as Giles has noted, politically unpalatable.

Cappo has certainly been well briefed in terms of the financial thrift imperative, having stated, for example:

We know it is no longer about throwing money at social problems and trying to solve issues that way ('New methods needed to tackle social problems – David Cappo', *AAP*, 13 March 2002).

...let's not get caught up in the mantra that simply says more money will fix all problems. We know that's not true (Cappo 2002).

Yet, given the magnitude of these problems, it is unrealistic to think that 'more money' will not be required to address them properly. Many under-funded services could clearly operate more effectively in a less cost-pressured environment. The problem is that fiscal discipline always takes precedence over social considerations, even when inaction is irrational. As Labor MP Gay Thompson reported to Parliament:

⁹⁰ Interview, Janet Giles, 2006.

In the effort to maintain budget discipline, the Treasurer has to resist many calls for expenditure ... I was at a meeting the other night, when some locals asked me why it would not be possible to borrow in order to put on 250 additional social workers that some people believe are needed in FAYS [Family and Youth Services]. The rationale was that the provision of early intervention services in relation to child abuse and neglect would save the community many millions of dollars over the next 30 to 40 years, so perhaps we could consider the present value of those savings and borrow in order to employ social workers. Of course, I had to reply that this is not the way to manage our budget tightly, even though I recognise that there is some merit in that argument. Unfortunately, I also recognise that Standard and Poor's and Mooney's do not have an equivalent view of the value of some of the activities in our community (South Australia, HA, *Debates*, 2003:45).

There are obviously real constraints on the scope of social policy when international ratings agencies are allowed to act as an external auditor on government performance (Wiseman 1998:68).

2.4.2 Managerialism and the Accountability Imperative

Ingrid Marshall, a Board member occupying a corporate executive position with the high-profile multinational Elders, gave a private sector perspective on what she saw as the government sector's flawed organisational and administrative systems:

... because it's State government there are so many issues to deal with, and they're all urgent. It's a political environment. How do you actually prioritise and manage the risks with also getting some deliverables on the ground. So I think it's a lack of coordination – centralised coordination. I think we've got the resources there but because they duplicate and they compete, so we're actually driving the wrong behaviour. So I think it's a melting pot of a heap of issues but it's not actually the slack or poor attitude of employees, it's in fact that the system's not there and I believe that management and the upper echelons aren't trained to understand what planning is all about, what performance is all about – it is okay to be measured on your performance, because that drives the progress that you want, it identifies these voids and you can actually respond to that. So it's all those bits and pieces – the communications systems, the planning systems, the HR systems, and the lack of expertise in operations and service delivery, which manifests itself in

duplication, animosity, lack of service to the consumers whoever they may be, and lack of performance⁹¹.

Marshall's opinion contrasts somewhat with an internal perspective that the issue is not necessarily 'lack of expertise in operations and service delivery', but rather a lack of professional – or 'content'– knowledge which has been attributed to the appointment of 'generic' managers. A managerialist agenda has dominated public sector operations since the mid-1980s, but perhaps even more intensively since Osborne and Gaebler's persuasive book *Reinventing Government*, published in 1992, became a template for bureaucratic reform. As a senior policy officer with the Social Inclusion Initiative almost from its inception, and having held public policy roles over many years, Jan Patterson articulated a very different explanation for the emergence of the public service conservatism that had exasperated Rann and Cappo:

...I have seen and felt a change that I think has been detrimental to the public service overall, in that I think that the public service generally has become very risk-averse ... there's a general trend to offer the most conservative – and I don't mean conservative in the political spectrum – but the option that is going to cause, to result in the least change to the status quo. And I think that's happened for a number of reasons, but along with that then, I think we've lost a lot of the real knowledge content about government business and the particular issues that we're dealing with, particularly through the appointment of what I would call generic managers who don't necessarily have the content and aren't interested in obtaining the content, and when you're dealing with very difficult, hard, social issues, you actually need to have a very good understanding of the content. If you don't, then you're not going to be able to make appropriate decisions⁹².

Patterson attributed much of the loss of expertise to the separation packages and retrenchments that occurred within the public service from the 1980s, commenting that 'the knowledge walked out the door with those people'. These views about the loss of expertise

⁹¹ Interview, Ingrid Marshall, 2005.

⁹² Interview, Jan Patterson, 2005.

have some synergy with those of Bob Connell, who (albeit commenting on the federal level) attributes 'a decline in the research and policy capacity of regular government departments' to the encroachment of neoliberalism: 'Neoliberalism has attacked "provider capture" of specific policy areas, but in eliminating the experts, e.g. taking education policy away from educators, the expertise has also been lost' (Connell 2006).

Patterson nonetheless had her own frustrations with bureaucratic red tape:

I think we've got into some very convoluted processes in relation to employing staff and procurement, that means that we can't -- the public service can't -- react quickly and so you have, although the money's already sitting there, people are saying, 'No, unless it's in the Department's financial books, that you can't employ', and there are a whole lot of things actually to do with the financial management of government that inhibits flexibility and where we might go. And I think people have been very fearful about the financial ramifications of anything that they do⁹³.

The managerialist culture imported from the profit-seeking corporate world, in other words, has actually promoted public sector conservatism. Preoccupation with financial accountability and audit probity has constrained both rapid response to problems and the exploration of non-traditional possibilities. While the money is 'sitting there', in Patterson's words, it often needs to await the outcome of compulsory tender processes, or several layers of formal approval. Unless specifically hypothecated to fund a new position, the money 'sitting there' cannot purchase additional 'human resources' to execute the work. If it is specifically reserved for that purpose, tightly regulated selection processes may lead to further delays. The minutes of a Social Inclusion Board meeting held on 7 February 2004 highlighted that a number of systemic issues were 'potentially preventing more responsive implementation of the Government's agenda at the rate initially expected'. The problems cited included:

⁹³ Interview, Jan Patterson 2006.

- overly bureaucratic procurement processes
- protracted staff selection process for filling of positions (rather than acting appointments)
- professional development in implementation of initiatives.

Clearly, these issues can be cast against practices within the private sector, where corporate 'flexibility' is not impeded by the same rigid rules and protocols that plague government employees in the exercise of their responsibilities.

Heather Parkes, however, having been exposed to other public sectors, felt that the culture of the South Australian public sector was unnecessarily characterised by risk aversion, and people being fearful of taking responsibility for issues outside their own bailiwick:

... I think, the criticism that people aren't responding was because they were saying, well, this is the problem I'm given money to solve. I'm actually not given the responsibility for those big picture things. So we had to get people to step outside their comfort zones in terms of working and take risks. And you have to remember that the State public sector had a history of not being risk taking ... As someone who came in from outside, I mean it was clear to me that risk-taking wasn't high on the agenda. I'm sure things have changed, and that – but that's the culture that this government inherited⁹⁴.

In some defence of public servants, it could be pointed out that risk-taking entrepreneurialism is not best served by public sector administrative values about accountability (Davis *et al.* 1993). In deference to this observation, it might be highlighted that the well-publicised resignation of agency chief Kate Lennon for a so-called misdemeanour in the administration of portfolio funds serves as a salutary caution to any other public servant who might be prepared to bend Treasury's rules. Lennon was forced to resign for carrying over unacquitted funds in a government trust account rather than returning them to central revenue. Michael Jacobs, writing of this incident in an *Adelaide Review* opinion piece, commented on its irony:

⁹⁴ Interview, Heather Parkes, 2006.

Whatever it may do for bottom lines and credit ratings, there is an air of almost childlike unreality about an increasingly rigid approach to all carry-overs from the financial year for which parliament has given the money to a following financial year. ... [I]t does not matter how well you plan or re-organise, you can never foresee all the delays that you cannot prevent. ... Paradoxically, at the same time as the fiscal screws are being tightened, the government is moving with increasing vigour to emphasise its demands for a responsive and can-do public service (Jacobs 2004).

2.4.3 Loss of Evaluation

Madeleine Woolley commented about the demise of the evaluation function in government agencies. Perhaps this can be regarded in the same way as Connell's point on the loss of 'research and development' (Connell 2006). For policy theorists Bridgman and Davis, evaluation is absolutely fundamental to good public sector performance, to accountability, to 'policy learning' and thus reflexive practice (Bridgman and Davis 2004:130). Comprehensive evaluation is an exceedingly complex process. It takes extra time, effort and resources, but in recent times has not necessarily been built into 'core business' allocations. For Woolley, a significant constraint upon the operating context stemmed from existing programs not being properly evaluated in a comprehensive way by their agencies, or indeed externally. This led to people's reluctance to change direction, to 'provider capture', to people being defensive of the *status quo*, and to resistance to moving from the comfort zone of their own agency's perceived tried and true practices. Whereas in the past significant emphasis had been given to evaluation, more recently this sort of activity had fallen away, yet it was actually crucial to understanding what should be driving policy and effective practice:

[How] we understand those policy drivers requires that we also have to understand that evaluation which I think is probably one of the biggest problems, because it takes a long time. There is no real strong evaluation being done across government. You're probably going to get pockets of it – and there was a time I think when there was significant evaluation, in fact, lots of departments had evaluation divisions or sections. So, evaluating what is currently happening, and then challenging some of those practices to redirect the current funding to better practices and keep measuring the value of those by way of the outcomes which were specified at the beginning

gives you an opportunity to evaluate whether you're getting the results you're expecting – if not, to continue to readjust. So, it becomes also challenging to readjust the distribution across government departments – and non-government departments, because a whole lot of that money's made available for bidding⁹⁵.

Woolley felt that effective evaluation could potentially drive resource shifts across agencies and NGOs and thus encourage a less self-interested approach to the use of resources:

[A] change I'd like to see is changes to resource allocations across government and NGOs. If evaluations show the results sought then resource shifts must follow. So another big area is, how can agencies such as Treasury, enable adjustments to distribution of funds. I mean everybody, every agency and sub-component will bat for their own portfolio and significant changes are difficult to see⁹⁶.

When various functions have been relocated to the private sector and non-government agencies, as has been contemporary practice, the 'big picture' has considerable complexity compared with solely public service provision. Evaluation, because of the complexity factor alone, is arguably more needed than ever to assess overall effectiveness of these practices.

2.4.4 Hierarchies

Bill Cossey expounded his long-held theory that hierarchies within the public sector were detrimental to collaborative work: there was a natural pecking order between government agencies; 'higher ego' departments dominated the agenda and the resources, and 'lower ego' departments were inadequately equipped to comply with joint initiatives over a longer term:

... eventually it gets to be too much and they just can't comply any more, and that's why I think a lot of 'joined up' initiatives just fade away; they wither on the vine; they always get launched with a 'big bang', but they rarely stop with a 'big bang', they just sort of drift off. And that's my theory,

⁹⁵ Interview, Madeleine Woolley, 2006.

⁹⁶ Ditto.

... 'high ego' ones that I've worked with and know are Education, Police, Industry and Trade – they're three for sure – they will collaborate, but it's always on their terms; it's never on anybody else's terms. And the 'low ego' departments are organisations like Aboriginal Affairs, Correctional Services, Arts. And it's often the case that the 'high ego' ones are well resourced and the 'low ego' ones are not well resourced. So the 'low ego' organisations are always needing the resource contributions from the 'high ego' ones to enable them to participate actively in the programs. ... But we have tried to deal with inter-agency collaboration at a structural level rather than at a psychological or a cultural level and I think, until we deal with the cultural stuff, we're always going to struggle⁹⁷.

The relative power and level of authority amongst various agencies in determining public policy directions has in fact been highlighted by a number of policy theorists (Bell and Head 1994, citing Bell 1993; Bessant *et al.* 2006:228-229). Although the Board initiates work on various references, and endorses disbursement of allocated funds, after the initial funding has been acquitted some of these projects can be referred back to relevant agencies for them to deal with – on an essentially unfunded basis (see Social Inclusion Board Minutes dated 11 August 2006, for example, in relation to the Self-harm and Suicide Prevention reference). Whether such initiatives 'wither on the vine', in line with Cossey's insights, may very well depend on continued access to resources or otherwise.

2.4.5 Resource Tensions

According to Bridgman and Davis (2004:128), successful policy implementation requires 'appropriate administrative support to handle [amongst other things] issues such as information flows, client consultation, reporting mechanisms, and necessary publicity'. The Social Inclusion Initiative receives very little funding outside that required to support staff salaries and Board fees. Funding for initiatives under the various reference headings is allocated by Cabinet based on information provided through the relevant Interministerial Committee.

⁹⁷

Interview, Bill Cossey, 2005.

Because the 'social inclusion' concept and the 'joined up' approach were very new, the demands on the Unit to support the Board, provide a research function, educate the public sector, assist cross-agency negotiation and at the same time oversee the implementation of changes that would have a positive social inclusion impact in a short timeframe, were considerable. In Heather Parkes' reflection of those early days:

... the expectations of how and when things could be achieved were a little bit unrealistic. And the Board took a while to come to grips with its own role. How could it direct this thing; what was the job; what was the piece of work. And, to be honest, when you're running a Unit like that it's a real tension to try and define those things in a way, and also ... we had to educate the whole public sector at the same time. I mean the demands to publicly present just what is social inclusion and what it's all about would be two or three presentations a day. And it was a real struggle to keep up with that. But the need for education was huge⁹⁸.

While it was her own intention that the Unit facilitate cross-agency working through a formal change-management type networking process (which would have required minimal resources) this was not supported by the Senior Management Council, a corporate executive committee of agency chiefs which meets weekly 'to discuss cross portfolio issues and develop strategic directions and a coordinated approach to major issues affecting the public sector'⁹⁹. Parkes was eventually able to secure some resources to support the education process and systems change, however these funds were hard won:

I developed a Cabinet submission based on what I anticipated the Unit would cost and in that I built in a component that was a fund to, [provide] incentives and assist to do project works, and I argued to get that money because I said we don't know what they are yet, but we need money to do project work in order to do joint work with agencies, and I got some money in the budget, in order for us to enable cooperative work with agencies and it would have been – or whoever –

⁹⁸ Interview, Heather Parkes, 2006.

⁹⁹ Chief Executive website, Department of the Premier and Cabinet, SA Government.

NGOs, to undertake research. That was actually quite a hard battle to get any money other than just the base staffing. But as I said, I said to them, well, you can't run this without some incentive or project money – and I couldn't define in the first few weeks exactly what the tasks would be¹⁰⁰.

Clearly some real tensions have arisen where changes have been demanded without additional resources. Whereas one Labor source, for example, believed that the public sector would have no incentive to 'do things differently' if the Unit were provided with a project budget¹⁰¹, it is obvious from other perspectives that at least some additional resources, and a shared funding pool of some kind, must be available if 'joined up' work is to produce optimal results. Opinion seems further divided as to whether the amount of funding provided for initiatives was important. As the report by Newman *et al.* reveals, some felt that this was 'important for public perception' to demonstrate that the government was serious about dealing with social inclusion issues, some felt that funding was not as important as showing that it was being used innovatively, and yet others believed that lack of investment should be no deterrent to cross-agency work (Newman *et al.* 2007:28). The amounts attributed to the work of the Initiative are not inconsiderable. Newman *et al.*'s report suggests that over \$18.6 million has been allocated to the drugs reference to date; that \$28 million has been allocated to homelessness up to 2008-9; and that School Retention received an amount of \$28.4 million over four years (2007:28-9). Yet the whole idea of 'joined up working' makes it difficult to determine whether these funds actually represent *new* expenditure or have been diverted from other purposes within the various agencies responsible for their acquittal (particularly as agency cost-savings are demanded as an ongoing feature of the contemporary budget process).

This indeed highlights one of the tensions about 'doing things differently' as much as it reveals the potential for good government publicity about what might realistically be innovative policy 'on the smell of an oily rag'. As a related point, Newman *et al.* write that a hallmark of the Social Inclusion Initiative's approach has been to identify and prioritise strategies within their Action

¹⁰⁰ Interview, Heather Parkes, 2006.

¹⁰¹ Interview, Moira Deslandes, 2006.

Plans, not only so that work can commence immediately, but also that favourable publicity can be generated immediately:

The South Australian SII has developed a process whereby the SIU assists the SI Board to write an SI Board report on a particular Reference whilst at the same time negotiating with agencies on what the Government's first response might be to this Report. This enables a 'Government response' or 'action plan' with allocated funding to be released at the same time as, and immediately in response to, the SI Board's Report. It may also be important in achieving commitment to change and credibility with the media and the public for a social inclusion initiative to address issues which are locally relevant at the time (Newman *et al.* 2007:74).

So, it can be inferred from this that, as with the choice of references, pragmatic opportunism is important. *Demonstrating* that action is taking place is seen as crucial to the government's reputation, whether this comes from new funding or an agency's existing allocation. With regard to the latter, the potential for 'rebadging' is tangible. It is of interest in this regard that former Unit member Peter King, on the basis of his own experiences on the Initiative team, developed 'strong' and 'mainly negative' views about the social inclusion work. As someone firmly committed to the redistribution ethos, he commented in an email dated 15 May 2006, 'it's a con really, and this Premier is just using this thing as window dressing'.

In terms of supporting cross-agency work, Madeleine Woolley indicated that, while the Unit had sought to influence 'a lot of policy areas', it was nonetheless necessary to be highly selective because resources were so limited:

When we're directly involved it tends to need resources, so I guess we've had to try and do it within our funding, and so it varies. And varying levels as well – I mean the invitation to be on committees was far greater than anything we could possibly have done. You really have to make quite clear-cut decisions about where to be involved and what you have to offer¹⁰².

¹⁰² Interview, Madeleine Woolley, 2005.

For this reason, the Unit had not contributed to a number of other high-level 'strategy' documents that linked with the South Australian Strategic Plan – the Population Policy being a case in point. An increased population level, which the Population Policy endorses, will inevitably have 'social inclusion' implications – for new arrivals and existing residents, yet whether due to inadequate resources or some other reason, the Unit had no input into these deliberations¹⁰³. It is something of an irony that Cappel is now Chair of South Australia's Population Ambassador's Group which takes a pro-population growth position for the State. A recent article by Cappel in the *Sunday Mail* suggests that he is unambiguously committed to a population growth agenda ('Populate or perish – the choice is ours', *Sunday Mail*, 4 May 2008).

2.4.6 Co-ordinating Initiative, Agenda, Objectives

In some respects, 'social inclusion' in South Australia can be described as a policy-free zone. The government does not use the language of policy, preferring to talk of the Social Inclusion *Initiative*, the social inclusion *agenda*, and social inclusion *objectives*. Government objectives of all kinds are supposed invariably to be 'strategic', yet in this case strands of activity on a range of supposedly interrelated initiatives proceed in the absence of an *overarching* framework which would give meaning and operational context to the shared pursuit of an inclusive 'big picture'. Again, referring to Bridgman and Davis (2004:94-5), well-developed policy frameworks are the key to effective implementation, yet it is more common in practice that 'overall policy objectives [are] inferred from various sources and tested through consultation or coordination'. There is no social inclusion 'policy', possibly stemming from the fact that there is no public clarity on what social exclusion, or inclusion, is supposed to be – except a range of separately defined issues which themselves may change over time, or vague rhetorical references to multifaceted forms of disadvantage. Clearly this lack of understanding led to some early confusion about the nature of the task, and accordingly, to some setbacks in moving forward on the separate issues. Heather Parkes reflected on the complexities challenging understandings at the time:

¹⁰³

Interview, Madeleine Woolley, 2005.

Is homelessness putting a roof over someone's head and ensuring it's maintained, or is addressing or solving homelessness really about connecting people back into the community so that they can move through whatever pathway of accommodation is appropriate at that point in time? And they're quite different concepts and I think that that was a struggle, because there was a lot of learning that people had to go through, both within agencies, to move from the paradigm of, well, it's about putting roofs over people's heads. So I think that made it hard for people to then, I mean, everyone understood all the sort of characteristics of people who were homeless, but they were struggling to work out, are we trying to provide roofs over their heads or are we trying to deal with the causes¹⁰⁴.

At single initiative level, Action Plans now provide some degree of operational vision and guidance. One of the problems identified by Bill Cossey about 'joined up' working was that, historically, 'ground rules' tended not to be established at the outset, hence they evolved in an *ad hoc* fashion along the way and fizzled out in the same manner¹⁰⁵. The Unit has obviously acted to address this problem through formal Action Plans for each reference which outlines roles, responsibilities and expected outcomes for all those involved. This is considered one of the Initiative's strengths, as Newman *et al.* report:

[A] key lesson from South Australia is the importance of setting clear goals and outcome targets so that everyone involved understands where the initiatives are heading and can have clearly stated expectations about outcomes and evaluation (Newman *et al.* 2007:74).

Each initiative also has a comprehensive reporting framework. But while everyone involved in the implementation and delivery of references may understand where they are heading, outside this direct involvement the lack of an overarching framework is seen as a major shortcoming. As Heather Parkes expressed it:

¹⁰⁴ Interview Heather Parkes, 2006.

¹⁰⁵ Interview, Bill Cossey, 2005.

A ... I suppose the issue for me is the lack of a strategic framework over the whole lot – that seems to be an issue. To help people understand how it all hangs together and what it really means and what works with it, because it's project-based work that's being done, so what you end up with is projects and programs on the ground.

Q So, you're lacking an overarching policy framework?

A Well, it's hard to see one, from where we sit. There may be one there, but I don't think it's particularly clear to anyone. ... And I think that's probably something that needs to be done now. It's got to this point and people are actually saying, well, you know, what are the long-term outcomes, and, are there people who are no longer socially excluded, what's your measure – and the jury's out. Because social inclusion doesn't necessarily mean housing the homeless. And I think that's been a point of confusion, for the people who work, in agencies¹⁰⁶.

Janet Giles' comments also suggest that some kind of overarching policy framework for social inclusion could overcome what she perceives as government's failure to make the right connection between related policy areas, not only from a union perspective, but also in relation to how they affect women:

...the other thing that worries me ... is that they've created this Population Policy Unit, or whatever, which is unconnected with the Economic Development Board, which is unconnected with the Social Inclusion Board particularly, it's totally unconnected with anything to do with women, it's totally unconnected with anything to do with industrial relations. And if they'd really thought about population, they should have cut across all those strategies. It should be linked¹⁰⁷.

The logic of this observation is well founded. 'All those strategies' have significant and profound implications for social, environmental and economic outcomes within the State.

¹⁰⁶ Interview, Heather Parkes, 2006. At the time of interview, Heather Parkes was a senior executive in the Office of Health Reform, Department of Health.

¹⁰⁷ Interview, Janet Giles, 2005.

The main statement of the government's key social, economic and environmental objectives Rann's 'Bible for government', the South Australian Strategic Plan lists a range of objectives that fall under the social inclusion 'Agenda' (Social Inclusion Unit 2005:7). As indicated earlier, agency chiefs are accountable for the targets via their performance agreements. Newman *et al.* state in their report that:

...the South Australian Government has enshrined some of its key social inclusion targets into this Plan which gives ongoing symbolic leadership (Newman *et al.* 2007:75).

Symbolic it may well be, but the issues are fragmented single issues and in no way sit together strategically. The promotional document *Overview of the Social Inclusion Agenda* states that the 'South Australian Strategic Plan, *Creating Opportunity*, contains 79 targets, the following of which are most closely linked to the Social Inclusion Agenda' (Social Inclusion Unit 2005:7). The thirteen then listed are unemployment, youth unemployment, healthy life expectancy, psychological distress, sport and recreation, crime reduction, regional unemployment, Aboriginal wellbeing, homelessness, housing stress and housing affordability, school retention and regional education. Of course this is not to decry the value of improvements in any one of these areas; they are areas worthy of government intervention. The point of this observation is simply that this list comprises a disparate array of targets rather than a properly considered 'social inclusion' policy. That is, they appear to have been simply lifted from the South Australian Strategic Plan after the event, without consideration as to how they might interlink. This said, a number of people, particularly public servants, were supportive of the South Australian Strategic Plan and other 'strategy' documents. If the objectives were not exactly perfect, the government was considered courageous in its willingness to be held to account on the targets. Senior executive Lou Hutchinson's comment was typical:

... the SASP has been bloody good, the Workforce Development Strategy has been bloody good. And I'm not saying they're perfect documents, I'm saying that they do provide, for the first time that I can remember in quite a while – and the Population Policy – the SASP, the Workforce Development Strategy, and, if you like, the social inclusion *agenda*. I think they've provided a

good [context] for agencies to work within. ... I'm hopeful about it. And at the regional level, as opposed to just the sectoral and industry sector level, there really is a recognition about building your own capacity, developing your own solutions – naturally linking to resources to help you do that [original emphasis]¹⁰⁸.

What was interesting about the support for the South Australian Strategic Plan, particularly from the perspective of public servants, was that it was seen as an instrument which could be used to support bids for budget funds¹⁰⁹. What this serves to highlight are the commonly-experienced frustrations associated with accessing budget funding, particularly for new initiatives.

2.4.7 Off the Board and Off the Agenda: Excluded Voices

As noted earlier, Rann talked of the desirability of a 'whole of government' and 'whole of community' approach to social inclusion issues (at the same time dismissing 'interest groups' as unworthy – as noted in Chapter 1). In terms of broader community engagement, however, a number of people felt the Board and its processes were 'exclusive', and that relevant voices were excluded. Accordingly, South Australia's social inclusion model was not considered by some to reflect an inclusive 'joined up' agenda at all well.

The State's peak community welfare body and lobby group, SACOSS, was excluded from the process. Its Chair Simon Schrapel, asked to what extent SACOSS was able to interact with the Board and the Unit on social inclusion matters, replied:

A In a very limited way. Now, they would argue that we haven't made sufficient efforts to try and engage with them on that stuff. We've made some efforts, we could perhaps have made more. But the point is the whole structure is actually established to almost exclude the community services sector. And I think that there's been a deliberate policy on behalf of government to just do that. I think it's a way of sidelining us – it's saying, *we're managing this, we're doing it.*

¹⁰⁸ Interview, Lou Hutchinson, 2006.

¹⁰⁹ Interview, Lise Windsor, 2006.

Q Would you expect, then, the group to have representation on the Board – SACOSS?

A Absolutely, absolutely. And I mean I think that in itself is quite an insult. We haven't been invited and I think that says it all from the government's point of view, and it's been a deliberate policy to try and actually sideline the influence of organisations like SACOSS and others to actually say, well, you sit outside of it, this is *our* way of managing this business and, in a sense, if we do this and keep focusing on this it will make you redundant. Yeah, I guess that's a bit harsh, but it hasn't been an inclusive initiative as far as I know [original emphasis]¹¹⁰.

Commenting that the community sector was not represented on the Economic Development Board either, he suggested that this was not an oversight but quite deliberate, designed to suppress dissent:

Well that says a lot about how the current government views us. That we would be too critical of its agenda, and it doesn't like critics I don't think. It's shown that with other portfolios. It suits them to reach consensus, it seeks agreement for all those agendas that have become very sensitive in recent times. And, you know I think all governments are sensitive to an extent. But I think that effective governments, good governments, are the ones that can actually accommodate the different views, and particularly the views that are critical – and they need to somehow take them on board. But I think the government at the moment seems overly sensitive about criticism and actually sidelines anyone who takes on the exercise of doing just that¹¹¹.

As South Australia's community welfare peak body, SACOSS has had over many years what is arguably the most substantial experience in dealing with poverty-related issues in the State. While Peter Bicknell, the Chief Executive Officer of the Port Adelaide Central Mission sat on the inaugural Social Inclusion Board, the criticism here is that SACOSS is not a non-negotiable constituency under legislation, guidelines or protocol. Government is therefore under no obligation to consult with SACOSS, as the peak representative, for advice about an appropriate

¹¹⁰ Interview, Simon Schrapel, 2005.

¹¹¹ Ditto.

nomination. This means, in effect, that the appointment is not democratic, and this constrains the sector's capacity to influence the agenda in a formal sense.

Janet Giles, as the Secretary of South Australia's peak union body, SA Unions, expressed similar disappointment that, technically, the labour movement was not 'included' either:

Mark Butler's on it, but he's a not union *rep*. We made sure he's on it through other means, but it's not seen as the union movement being engaged in the social agenda and it's not representing us, he's actually *on* it [original emphasis]¹¹².

Mark Butler, the State Secretary of the Liquor, Hospitality and Miscellaneous Union (and a key figure in the State ALP at the time), was of course also on the Board in his own right as an expert rather than as SA Unions' nominee. It should be pointed out that the rules of formal board membership oblige all board members to put the interests of their 'corporate body' before any sectional interests with whom they are individually associated. This fiduciary obligation holds true even in situations where legislation, policy or protocol mandates membership nominations from particular sectors or organisations. This, of course, is well known to both Janet Giles and Simon Schrapel as they are familiar with board directorship responsibilities. The issue is that these sectors, community welfare and labour movement, have not been given public credibility through an open and transparent process. Giles, like Schrapel, perceived this as a deliberate rejection of her sector's involvement in State affairs:

... really I don't think that they've engaged with unions. I think that there's a strategic problem – that they don't know how to be strategic. That they've come up with a nifty idea, but they don't really understand how you need to write the agenda, how you link the agendas. Because we've got a whole lot of silos still. And because there are silos, that's how you disengage with groups.

¹¹²

Interview, Janet Giles, 2005. Karen Brown, Branch Secretary, Finance Sector Union of Australia, was appointed to the inaugural Board (Government of South Australia 2002). However this was on the same basis as Butler's appointment.

Oh, well your silo is that silo, but you can't go into the others because that's not your business. We had to fight really hard to get even a person on the EDB, and even then they wouldn't put a South Australian person on, we had to get someone from the ACTU to go on. That's a good example because, well, what have we got to do with economics? You don't get people to move unless you involve them. You're silly not to involve peak key stakeholders in a community, consult¹¹³.

While Labor is at pains to frame itself as an inclusive government, some constituencies stand out, in Orwell's terms, as 'more equal than others'. Quoting Rann:

We have been bigger than the former government in terms of appointing people, regardless of their politics, to key positions - people such as Robert de Crespigny, Carolyn Hewson and others, as well as people such as Stephen Baker, ... a former Deputy Premier and Treasurer of the state. And, there are people such as David Wotton, who was a senior minister in the former Liberal government. We have shown that we are prepared to be big enough to embrace and include... (South Australia, HA, *Estimates Committee A*, 2002:7).

Rann has been keen to present himself as pragmatically apolitical in much the same way as Blair has distanced himself from traditional left ideology, claiming that 'what matters is what works' (Blair 1998:4)¹¹⁴. Rann's pragmatism was also evident in the decision to appoint three non-Labor Members, including one from the National Party, as Cabinet Ministers. This was a clever move strategically as it gave Labor more predictability in the lower house, yet these MPs were reappointed to Cabinet in the government's second term, even though Labor won the 2006 election with a convincing majority (Manning 2006).

Whose voice is heard and whose voice has been suppressed will tend to reflect who has power to get issues onto the policy agenda, who determines how problems are represented and solutions shaped, and who can delimit the scope of ideas and thus control the contestation

¹¹³ Interview, Janet Giles, 2005.

¹¹⁴ Rann was quoted in the *Advertiser* as saying 'The Labor Party has a right wing, two left wings, a centre and some of us who won't have a bar of any of them ...' (Naughton 2005).

between policy priorities. As Bacchi notes, such 'positioning leaves the power to define "need" and "disadvantage" in those designing the policy. It can also disempower groups who are thus created as supplicants' (Bacchi 1999). In terms of the latter, Simon Schrapel felt that the community welfare sector *had* been disempowered. He commented that, because the Initiative had to 'find its own funding streams', for some community welfare groups this had meant cutting across existing programs and policies with blind faith that the new approach could demonstrate better results than existing programs¹¹⁵.

While there might be some obvious advantages in appointing high profile 'movers and shakers' to the Social Inclusion Board, there have alternatively been reservations about the Board's perceived elitism. From some quarters it is viewed as an 'exclusive' body out of touch with the lived experiences of poorer members of the community. Sue Phillips, a Community Development Officer based at the City of Onkaparinga, conducted a research project in 2003 exploring how community perspectives about the concept of social exclusion resonated with government discourses. A number of her research participants, who were drawn from one of the State's most socio-economically disadvantaged areas in the outer metropolitan south, were critical of the Board composition for the reason of its elitism. One participant in Phillips' study commented:

Using high profile people as members of the Board creates problems. It has the effect of patronising those people the Board is supposed to be representing (Phillips 2003:14 quoting from an interview).

According to Phillips' research paper, participants were also acutely critical and, from the tone of the comments reported, even resentful, of there being no mechanism within the structure of the Initiative for 'ground-up' input into the Board's agenda (at least beyond initial focus group consultation around homelessness and school retention issues). At an interview with an officer of the Social Inclusion Unit, Phillips ascertained during her research that it was not intended to

¹¹⁵ Interview, Simon Schrapel, 2005.

provide an avenue for this sort of dialogue to occur (2003:16). Her research concluded that her participants' interpretation of 'social exclusion', its causes, and what to do about it was quite different from the government's construction of the problem. In her words:

At government, bureaucratic and Board level it is discussed in terms of improving access to mainstream, government provided services for the three focus areas. The idea being [*sic*] that if people have the opportunity, ability and confidence to access these services they will be seen as 'included'. There is, therefore, a focus on how those services can be provided in a more collaborative, coordinated way to ensure that gaps are minimised and the best use is made of the resources available (Phillips 2003:13).

Furthermore, for the majority, accessing services (or having more integrated service delivery) was not identified as an 'excluding' issue but more of a frustration (2003:13, 17). For them inclusion meant 'belonging' to a community rather than feeling 'isolated' from it. Phillips' participants therefore suggested that policy design might benefit from interaction with front-line community workers and others at the coalface to bring a real awareness of community problems to the table (Phillips 2003).

2.4.8 'Joined Up' Working: Is it Working?

Despite the challenges to joined up approaches already identified, and the fact that a number of people felt there was a long way to go to achieve a coherent, coordinated effort, from some perspectives collaborative effort had started to move in a positive direction. Rann commented, for example, that:

Now, it has taken a lot longer than I'd hoped, but it's now starting to be much more embedded and we're now seeing people and Ministers, rather than doing Budget bids for their own departments, or departments talking about their own department and maybe a bit of social inclusion money was the cream on the cake, now we're trying to really make social inclusion

central to government's endeavours. And that means a collaborative approach to protracted issues¹¹⁶.

Lou Hutchinson voiced his opinion that, since Labor had assumed office, collaborative endeavour had improved:

...I would say in the last three years ... that the movement towards, or a genuine attempt towards whole of government solutions has been good¹¹⁷.

On the other hand, Bill Cossey commented:

We're nowhere near there yet, and I don't think we've made as much progress as we should have in terms of understanding why not¹¹⁸.

Doubtless whether, and where, beneficial impacts are occurring depends very much on proximity to the operational dimensions of the work, and individuals' experiences and perspectives. From the research undertaken by Newman *et al.* (2007), 'joined up' working has generated mixed results, highlighting both problems and progress.

Conclusion

The Rann Government's approach of embedding social justice principles into the policy-making process has sought to overcome the traditional 'silo' culture characteristic of the public sector. This is sound in principle and from the academic literature it has been a long-standing public policy objective. However, processes for ensuring funding accountability have in contemporary times become more rigorous, which has worked to constrain the rapid, progressive reform demanded by government and the Social Inclusion Board. There is clear evidence that the

¹¹⁶ Interview, Mike Rann, 2005.

¹¹⁷ Interview, Lou Hutchinson, 2006.

¹¹⁸ Interview, Bill Cossey, 2005.

multilateral budget process was not seen as successful, and was not embraced by Treasury. As such, funding constraint can be seen to compromise policy choice rather than policy influencing funding flow towards more inclusive outcomes as was intended. There was a shared view that, if the multilateral process were to be effective, it would require more thoughtful planning, and at least some investment to support systems change, if not an injection of additional resources for the initiatives themselves. The government's reluctance to provide more support in this regard has to some degree thwarted the pursuit of 'joined up' objectives. The bureaucracy has been frequently cast as the public scapegoat, almost to the extent that public sector failure is seen as a key element of 'social exclusion'. The different motives and operational contexts informing the values of the public sector and the corporate world have contributed to a 'cultural clash'. Misunderstandings and tensions have accordingly arisen between the government and the public service, and the public service and the Social Inclusion Board. It seems realistic to assume that replacement of tenured executive level positions with fixed term contracts will be less likely rather than more likely to generate the 'frank and fearless' advice the government claims it wants to hear. Even though this strategy has been disproved at federal level, at a local level it has been forcefully promoted through the auspices of the Economic Development Board. Over recent decades, the managerialist culture that has pervaded government operations has worked to deplete professional expertise within the sector. This, too, has damaged the fabric of the public service, and its capacity to respond to harder social issues. Program evaluation is not occurring to the extent required – for resource reasons – and this seems to have reinforced 'conservatism', 'provider capture', and risk aversion. While there has been some limited headway in establishing ground rules for collaborative work, classical hierarchical bureaucracy persists and this needs to be addressed at a 'cultural level'. Perhaps most importantly, from the outside looking in, 'social inclusion' is a something of a policy void, lacking clear definition, an overarching policy framework, or some means of presenting a broadly coherent picture of what is meant to be achieved. Despite the government's professed interest in community engagement, the community welfare sector, and the union movement, have felt sidelined and excluded from the social inclusion agenda. From a 'real' community perspective, Board 'elitism' was also pinpointed as an issue; policy options were seen to be the preserve of powerful

'insiders'. At worst, the strategy of 'embedding' social justice objectives within mainstream policy – without providing additional investment – has been criticised as simply 'window dressing' in order to avoid traditional social democratic resource redistribution. Yet, as Chapter 3 aims to reveal, even these relatively narrow social inclusion objectives are themselves constrained by or conflict with the government's broader agenda for the State.

CHAPTER 3

Poverty, Inequality and Unemployment: 'Don't Mention the War!'

Listen, don't mention the war! I mentioned it once, but I think I got away with it alright.

Basil Fawlty (aka John Cleese), 'The Germans', Episode 6 of *Fawlty Towers*.

... I think that's what governments don't like, the terminology of poverty, it makes them very uncomfortable within our society to actually have people living in poverty, you know, in a country that really shouldn't need to have anybody living in poverty.

Simon Schrapel, Chair SACOSS, 2005

3.1 Introduction

The task of tackling social exclusion has, as was revealed in Chapter 1, focused on targets which are quite narrowly defined and limited in scope. This chapter aims to explore some of the sources of rising socio-economic inequality within the State, locating the 'silent' themes of poverty, inequality and unemployment within the South Australian policy context. Although research suggests that poverty has become more widespread, it has not been properly acknowledged by the South Australian government as a problem in its own right. Underlying the social inclusion agenda is a tacit assumption that economic growth, with attention to human capital development, will be sufficient to provide *equality of opportunity*. However, because of the government's obsession with fiscal austerity and economic stimulation, a number of social inclusion goals tend to conflict with or are constrained by broader government objectives. At the same time, several major structural issues affecting the State have failed to be acknowledged or confronted. It can be questioned whether material deprivation in South Australia is an issue which can be dealt with through individual human capital development and assumptions of individual competitiveness. Unless structural causes are addressed, persisting inequality is likely to provide fertile ground for social exclusion symptoms to ferment. This chapter

accordingly draws significantly upon the views of those interviewees whose professional work has brought them into direct contact with the social elements emerging from South Australia's structural problems.

3.2 Poverty

Debates about what constitutes poverty, and where the line is drawn before someone is defined as being in a state of poverty are of long-standing (Stilwell 1993:24). Central to the poverty definition argument is whether poverty should be understood in absolute terms (the condition of mere subsistence or below it), or in relative terms (the level of economic inequality between different members or groups in society). How society defines poverty, and where the line is drawn, has a corollary in the level of resources required to deal with it. One of the advantages of 'social exclusion' as an umbrella concept is that it enables government (and researchers) to bypass these contentious debates and operationalise social policies to try to prevent, redress, or ameliorate at least some of the more obvious manifestations of poverty (Atkinson 1998; Burchardt *et al.* 2002; de Haan 2001; Sen 2000). However, as was shown in the preceding chapters, the South Australian social exclusion approach does not have a wide ambit. Further, as Newman *et al.* (2007:30) have observed, there is really no way of ascertaining whether the individual projects undertaken through the Social Inclusion Initiative are actually making a 'bigger picture' impact on disadvantage, or even represent a better investment than what agencies were already doing with resources they may have been forced to surrender in 'cost-savings'.

3.2.1 South Australia's Relative State of Poverty

A South Australian Parliamentary *Poverty Inquiry* which reported in 2003 confirmed that poverty levels in South Australia were amongst the worst in Australia (Social Development Committee 2003). Similar, more detailed findings were reported in the University of Adelaide's report *Inequality in South Australia in 2004*. Citing these two reports, the SA Division of the Australian Democrats highlighted that, as of the end of March 2006, the government had failed to respond

to them formally and to ABS figures suggesting that almost a quarter of South Australians were living in poverty. The Democrats considered the Social Inclusion Initiative ill-resourced to deal with the problem, drawing attention to the government's bias towards the Economic Development Board which had vast resources at its disposal (Reynolds 2006). According to a much more recent report produced by SACOSS, little has changed since that time in terms of the experience of poverty in the State or coordinated government effort to reduce it. At neither national level nor State level has a poverty line been officially adopted by Australian governments. SACOSS, the State's peak community welfare body, notes that, on a range of measures, South Australia still remains 'one of the poorest states in the nation [and] has a disproportionately high level of key household types and social groups who are most likely to live in poverty'. Furthermore, despite what is considered to be a strong economy, the gap between rich and poor has continued to increase (SACOSS 2007:3). The SACOSS findings are, in fact, confirmed by recent academic research undertaken elsewhere (Travers 2006), and by ABS Census data. South Australia's relative position on a number of counts – for example median income (whether measured in individual, family or household units), and the proportion of people reliant on government income transfers – is worse than the national average as well as the position of most other states (ABS 2007a).

3.2.2 Perspectives on Poverty and Social Exclusion

It can be observed that 'poverty', in the sense of material deprivation, is not given the status of a serious concern in its own right within the Social Inclusion Initiative's publications and website materials. When the word appears, it is in an incidental sense, grouped with various other symptoms of disadvantage. Material deprivation is not acknowledged by the government as a principal cause of the multidimensional symptoms now referred to as forms of social exclusion. In the background, however, the links between poverty and social exclusion are well recognised. Madeleine Woolley, former Executive Director of the Social Inclusion Unit, saw a strong connection:

S]ocial exclusion doesn't necessarily just mean poverty, but where significant instances of poverty exist, people can get into drugs, or suffer mental health issues. I mean, they're not necessarily from impoverished backgrounds, but the majority will be¹¹⁹.

Likewise, Social Inclusion Board member Bill Cossey, during his interview, frequently alluded to people's 'socio-economic' circumstances in explaining the prevalence of 'social exclusion' factors in their lives¹²⁰.

SA Unions' Secretary Janet Giles was even more emphatic that poverty was the fundamental underlying cause of social exclusion. While others paused to consider this question, she was unhesitating in saying:

I think the biggest driver of social exclusion is poverty and that – poverty – leads to a whole range of other things like homelessness and all the other ... things like lack of opportunity, access to opportunity – that could actually improve your inclusion. Because you just don't have the resources or abilities to give to trying to change your circumstances¹²¹.

From SACOSS Chair Simon Schrapel's perspective, the newer concept of 'social exclusion', while credited with having *some* utility in guiding the focus onto *symptoms* of socio-economic disadvantage, was seen to have a downside in deflecting attention away from the sort of poverty which has become more generalised across the population¹²². That is, poverty has become more endemic, yet conceptualised as social exclusion it manifests as the visible tip of the iceberg (for example 'rough sleeping'):

¹¹⁹ Interview, Madeleine Woolley, 2005.

¹²⁰ Interview, Bill Cossey, 2005.

¹²¹ Interview, Janet Giles, 2005.

¹²² According to Peter Saunders of the Social Policy Research Centre, several studies indicate that Australians are likely to identify as 'middle' class, nominating a position in the four middle income deciles. He points out, however, that 'by definition', this group 'can only contain 40 percent of the population', and Australians are 'poorly informed' about the nature of wealth distribution (Saunders 2002a:204-5).

...I think it's [ie poverty] become more entrenched across a larger population, and I think perhaps one of the problems with that is that maybe it's become less visible ... that in much of what you'd term the mainstream of society there is an ignorance of what poverty actually is – apart from being exposed to the sometimes, you know, more difficult signs that people are living rough on the streets. And that's not it at all. ... I mean the disadvantages of those sort of approaches though is that we keep on reinforcing the view that poverty is homelessness, and that that's the only issue – unless you actually see it in that sort of sense, then we don't have it. And I think that's a very dangerous message to be giving to the general population, it's ultimately giving a lot of people a false sense of security in the sense that, then, we don't really have much poverty, I don't see any people who are homeless or lacking the basics – and most of the population wouldn't. And so therefore that's your image – or if you equate that with poverty, then poverty isn't a social issue in our society and is not seen on a day-to-day basis. ... Some of the initiatives are done with quite genuine intent, you know, to actually assist people who are significantly disadvantaged, but I think there is an element of it that's essentially put in place to brush it under the carpet¹²³.

In this sense 'social exclusion' as a concept can be readily interpreted as a politically expedient euphemism for poverty. It serves to provide opportunity for publicity about (undoubtedly necessary) good works without necessarily addressing real, structural, underlying causes¹²⁴. It is clear that Schrapel believed there was more than a germ of truth in this:

I think there has been a sort of papering over of the acceptance or acknowledgement that poverty is fundamentally involved– however you might define it – at an appreciable level across our population in South Australia. So they've put that to one side, and focused on the narrow targets of the Social Inclusion Unit's work rather than the traditional impact of their relationship with poverty, and I think that's what governments don't like, the *terminology* of poverty, it makes them

¹²³ Interview, Simon Schrapel, 2005.

¹²⁴ Indeed in a recent article in the *Australian* referring to a speech given by Prime Minister Rudd, the reporter cynically observed that 'n]ot only is it versatile, but social inclusion also has a potent political purpose' because '[almost] anything can be bundled up under the title'. For this reason, it was considered by the reporter to be 'spin' of the first order (Kerr, C 2008).

very uncomfortable within our society to actually have people living in poverty, you know, in a country that really shouldn't need to have anybody living in poverty [original emphasis]¹²⁵.

The adoption of social exclusion terminology, then, can be understood as a rhetorical device that enables Labor governments to avoid mentioning 'poverty' and, in consequence, to avoid bringing to public consciousness the question as to why it should be happening in what is, in aggregate terms, a rich advanced industrial society.

3.2.3 Working Poverty and Poor Work

From the union perspective, low pay and poor employment security were key drivers of much of the poverty in the State. Indeed, recent findings of a study of low-paid workers in South Australia not only confirms this but highlights just how difficult it is for people in this situation to cope with the pressures of everyday life (Masterman-Smith, Pocock and May 2006). The issue of 'working poverty' in South Australia was of growing concern to both SA Unions executive, Janet Giles, and Mark Butler who (as indicated previously) was State Secretary of the Liquor, Hospitality and Miscellaneous Union prior to his election as a Labor MP in 2006. Butler's union represented some of the most poorly paid employees in the State and, for him, there was no question about the increasing experience of poverty in the State in respect of waged workers:

A ... I don't think anyone seriously argues that the number of working poor, the number of poor households with wage earners in them is growing. The question is how fast.

Q More families vulnerable?

A Yes. The number of households in poverty that have a wage earner has grown significantly. I mean poor households used to be welfare households¹²⁶.

¹²⁵ Interview, Simon Schrapel, 2005.

¹²⁶ Interview, Mark Butler, 2005.

While he firmly believed that low pay and labour market vulnerability were issues which should be addressed by the Social Inclusion Board, the issue had not been brought to the table. He hoped it would be picked up when further progress had been made on the more extreme issues, and when the logistical problems associated with 'joined up' working had been resolved.

Janet Giles, from her understanding of the local labour market, felt that low pay was of particular relevance to experiences of poverty in South Australia relative to other states. She talked about the structural elements behind the phenomenon:

... the State of the State Report ... actually identified South Australia as a low wage, low skill State. I think that we have – this is what we're trying to get our heads around at the moment by working with the Planning Institute and a range of other people – but we've got the sense that we have a higher level of poor families per capita than some of the other capital cities. The other anecdotal stuff that we've heard lately too is that there's been a demographic shift of poorer paid workers to Adelaide and a shift of higher paid workers to, for example, Sydney. I think there's that shift happening, and I think this is exacerbating the situation in South Australia. And also when you look at our industry, there's been a huge growth in service industries in South Australia and a massive reduction in manufacturing at the high skill end of the labour market. And we all know that the services industries pay some of the worst pay out there and people are struggling on that¹²⁷.

Research findings in the *State of South Australia*, a biennial publication which reports on social and economic issues affecting the State, essentially support these observations (Travers 2006). The 2006 Census data also confirm the fact that, compared with the national average, South Australia has a lower proportion of people in full-time work, a lower number of people in professional work, a lower number in trades and administrative work, and a higher proportion in community and personal services work (ABS 2007a). A substantial increase in working poverty

¹²⁷

Interview, Janet Giles, 2005. While the picture is complex, the exodus of highly skilled and highly paid workers and their simultaneous replacement by less-skilled or less qualified workers and older people appears to be backed up by a report produced by the SA Centre for Economic for Economic Studies (Hancock and Hsieh 2006).

was expected following the introduction of the federal Coalition's coercive welfare-to-work policies and the simultaneous removal of industrial relations protections¹²⁸. From the community welfare and union perspectives, these social security and labour market 'reforms', it was feared, would necessarily widen pre-existing inequality within the State and force many more people onto the margins of existence.

3.3 Inequality

3.3.1 Inequality and Social Cohesion

A number of people on the Board perceived that inequality had increased in South Australia and that the gap between the 'haves and the have-nots' was becoming more visible. Yet inequality *per se*, like poverty, was an 'elephant' in the Social Inclusion Boardroom. Aspects, or symptoms, of inequality were acknowledged as forms of social exclusion as touched on previously (Newman *et al.* 2007:11, citing Monsignor David Cappel). However, the possibility that these may have been caused, or might continue to be caused by government policy (whether local or national), does not appear to have formed part of the Board's deliberations¹²⁹. A number of comments from Board members certainly indicated concern that widening socio-economic differences, and a culture of individuality, had created social enmity, a lack of sympathy and understanding for those in difficult circumstances, and a tendency to blame the victim. Bill Cossey, for example, compared this with times past:

Maybe because the gap between the 'haves and the have-nots', to be crude, wasn't so great, there may have been more people who at least understood the position that others were in. ... I don't think enough people understand, and we don't do enough to remind them, of just what the circumstances are that lead to people being in an excluded situation. ... Because I think, as part of this 'every person for him or herself' phenomenon, we've become, there are – I think – there's been a shift towards people believing (all the people who are not impacted upon negatively by the

¹²⁸ Interview, Janet Giles, 2005; Mark Butler 2005; Simon Schrapel, 2005.

¹²⁹ SIB minutes and meeting papers were published on the website until end-2006.

social exclusion problem), a shift towards those people saying it's their fault. You know, they should get themselves out of it, when in fact I think there are some much more fundamental systemic issues that are contributing and often they're just not well understood, and it's easy to rationalise and say, 'these people ought to fix themselves'¹³⁰.

Madeleine Woolley also voiced her concerns that victim-blaming and discrimination had become more pronounced, commenting:

The selfishness, the divisions that are drawn between people who live in certain locations as distinct from others! Over the last couple of weeks I've been doing some work with people and some of the extreme views expressed are quite shocking. This is particularly in relation to new immigrants in South Australia recently – and the lack of compassion and understanding, and ignorance really, about other people¹³¹.

She felt one of the biggest challenges for government would be in addressing the sort of selfishness and ignorance behind racism, hostility and various forms of discrimination against people suffering hardship through circumstances completely beyond their control.

Mark Butler, too, was clear, based on his own reading around this topic, that rising inequality would lead to greater division in society and declining social cohesion associated with increasing crime levels, drug abuse and so on, and that this could certainly be expected in South Australia¹³². Research confirms Butler's understanding that more unequal societies tend to experience higher levels of mental and physical illness, rising crime rates and various forms of social dysfunction (McKnight 2002; Stilwell 1993). Indeed, the fact that juvenile offending, mental health and drug issues had been referred to the Social Inclusion Board tends to suggest that these problems have already become more prevalent locally. Butler identified labour market deregulation as a pre-eminent driver of these problems.

¹³⁰ Interview, Bill Cossey, 2005.

¹³¹ Interview, Madeleine Woolley, 2005.

¹³² Interview, Mark Butler, 2005.

3.2 Labour Market Factors

JK Galbraith (cited in Stilwell 1993:55) pertinently noted that rising inequality in the labour market is sanctioned on the assumption that the rich are highly motivated and must be paid more to work harder, whereas the poor need to be motivated by pay reductions. As Stilwell points out, vested interests are clearly at work in this dualistic contradiction (1993:55). Taken from the union perspective, the deregulation of the labour market has definitely fuelled this syndrome and has undoubtedly been the source of rising inequality within the State. According to Mark Butler, the contemporary workforce has been sifted into three tiers:

Whereas you used to have two – the sort of, salaried and waged – you now have three tiers. You have the traditional professional salaried class who've been receiving significant wage increases over the last twelve to fifteen years in the 5 to 10 percent range. You've then got a group within the old waged class who've been enjoying wage increases around 4 to 4.5 percent due to enterprise bargaining – public sector, manufacturing, banking and so on – and then you've got the low-paid workforce reliant on National Wage Case increases. These are significantly represented by part-time workers and their wages have stagnated in real terms, and have declined significantly relative to everyone else's wage¹³³.

Janet Giles referred more specifically to the impact of casualised working arrangements in low-wage industries, the explosion of low-paid jobs in South Australia over the last decade and the difficulties this presented unions in terms of coverage and support:

In a lot of the industries where there is already lower pay, there's been a change in the way that they've been organised. There's been an increase in contracting out, use of labour hire, increase in sub-contracting arrangements, which has driven people's wages down further, pulls them off the award and collective agreements, made them more difficult for unions to organise. It means that we can't keep their wages up because they're difficult to organise collectively. And ... at the same time [in terms of] the creation of new jobs in the last ten years, the ACTU research has shown that something like 80 percent of all the new jobs created in last ten years are under

¹³³

Interview, Mark Butler, 2005.

\$26 000 and 50 percent of those have earned under \$15 000 and so on. So new job creation in the new economy –we've found that it's actually low-paid work that's increased – low-paid casual, part-time labour hire, subcontracting. Those sorts of arrangements have just blown out ...¹³⁴.

Forms of employment that had traditionally enjoyed high union density, and decent wages, on the other hand, had correspondingly decreased. Simultaneously, executive salaries had risen disproportionately to average wages. The gap was consequently much wider, with fewer people now enjoying secure, well-paid work:

...the established, high-paid industry structures like big workplaces that employ hundreds of workers and high-skill manufacturing workers, for example, where we've been able to get really quite high wages – they've been retrenching people and emptying out that industry and at the same time also executive pay has increased significantly. I don't know the exact figure, but I think it's gone from something like, executive pay being ten times higher than an average weekly worker to thirty-two times in the last five years. So that's just blown out the top end which has made the bigger differential. So, what we've got, in South Australia particularly because our high-skill, higher-paid workers have ended up a smaller proportion, is a significantly bigger group of lower paid workers by proportion¹³⁵.

The increase in executive salaries, for Giles, was another major push factor in the polarisation of wealth. There was little in a deregulatory climate, however, that government could do. While there was some potential for business to play an exemplar employer role, she felt that, on her current experience of business 'culture', this was unlikely to happen:

I don't know what they [*ie* government] can do about it in the current sort of way that the world operates. I've been having some discussions with business people – more than ever before in this job – and they just have this blindness, they run a completely contradictory argument. They say, 'it's really important to pay your managers a really good salary because that way you'll get

¹³⁴ Interview, Janet Giles 2005.

¹³⁵ Interview, Janet Giles, 2005.

the best people and if you don't pay really well, we can't compete with New South Wales...'. But when they're talking about their workers, they don't believe that at all. They seem to believe that they should be paid hardly anything. It's a completely contradictory argument that they run. There's a major cultural problem there about the organisation¹³⁶.

So, from Janet Giles' perspective, JK Galbraith's observation is just as apposite today as it ever was. Her stance is borne out by the 'common corporate view' dismissing egalitarianism from corporate culture (Wiseman 1998:68, citing O'Farrell). Perhaps it could also be argued that labour market deregulation has not only contributed to a more stratified workforce, but also to the erosion of collective values and increasing individualism undermining social cohesion¹³⁷.

3.3.3 Industrial Relations Matters

During its first term, the Rann Government introduced new industrial relations legislation which made provision for a centrally determined minimum wage, established minimum employment standards across the labour force, and made regulations pertaining to non-award-based enterprise bargaining (Baird, Ellem and Wright 2005). This minimum wage and conditions legislation does acknowledge in no small measure that structural aspects of income inequality exist and that their genesis is in the way the labour market operates. Janet Giles was very enthusiastic about this legislation during her interview. She believed it considerably strengthened employee rights and provided a much-needed safety net for the vulnerable. As would be expected, she went on to express her bitter disappointment that the State legislation was to be overridden by the federal Coalition's new industrial relations laws. She considered that this hostile takeover, later accomplished, posed significant potential for local inequality to worsen:

... in South Australia the minimum wage is very significant, it actually covers a large number of people who, that's the only wage increase they get – they're on awards. We've got the highest

¹³⁶ Interview, Janet Giles, 2005.

¹³⁷ Wiseman (1998:67) notes a 'backlash by middle-class wage earners, not against the wealthy, but against the poor and the most severely disadvantaged groups...'.

level of people on awards proportionally than any other place in the country. ... It really does worry me about it – you know, huge areas in the northern and southern suburbs and what they'll start to begin to look like if they're largely populated by very poor people who are either low-paid or welfare dependent – we've already got it¹³⁸.

Both Butler and Schrapel, whose respective roles also brought them into close contact with working poverty, reacted in much the same way to this situation as had Giles. Schrapel felt that, particularly in the context of an economic downturn (which he surmised was only a matter of time), the federal industrial relations laws would be devastating for people who were not well-skilled, or did not have the sorts of skills in demand by employers¹³⁹.

During interview, Rann curiously failed to capitalise on the connection between 'income inequality' and the industrial relations legislation for which, after all, his government could take credit. Asked how the government intended to meet the income inequality 'target' in the South Australian Strategic Plan, he commented somewhat obliquely:

Look, the key thing about the Strategic Plan is that it's not just what governments can do. It came out of a whole series of consultations involving thousands of people, including our two Economic Summits: the Summit and the Summit revisited. So there are some things that we can do, and some things that will require a community-wide effort¹⁴⁰.

It is difficult to see how the wider 'community' could have an influence in this area when, as Janet Giles pointed out, the business sector remained so strongly committed to keeping wages down for all but the executive category, and union coverage in respect of poor and precarious work was so limited as to preclude worker agency. In any event, Rann himself is claimed to be 'strongly opposed' to the strike as a form of industrial protest, doubtless because it projects the

¹³⁸ Interview, Janet Giles, 2005.

¹³⁹ Interview, Simon Schrapel, 2005.

¹⁴⁰ Interview, Mike Rann, 2005.

wrong message about South Australia as a good place to do business (Kelton and Littlely 2005). Possibly containing wage costs comes into this equation. The South Australian Strategic Plan Target 1.5 aims to maintain 'Adelaide's rating as the least costly place to set up and do business in Australia ... and continue to improve our position internationally'. This target was achieved 'at or better than the target level' in 2006 (South Australian Strategic Plan Audit Committee 2006:13). More recently the government has succumbed to calls from business to reduce payroll tax to five percent which would 'place South Australia on a par with Victoria' (Manning 2007:648). Corporate welfare has also been considerable in order to attract mining and 'high tech' defence contracts. This is apparently considered sufficient justification for increasing *public* debt without placing the vaunted AAA rating in jeopardy (Manning 2007:650).

While from the union and community welfare perspectives the federal industrial relations developments posed an additional threat to rising inequality and social cohesion, the Premier, on the other hand, seemed more concerned about maintaining the State's competitive advantage. Only when asked to talk about difficulties associated with the hostile policy environment at national level (in particular the Howard Government's industrial relations and welfare reform proposals) was he prompted to respond:

Obviously it makes it hard because you feel like you're going one step forward and one step back all the time. And we just got our figures today on IR, and the latest figures show that the lowest disputation rate in South Australian history, and in Australian history, of any state, has gone from 22 days lost, or 30 days lost per 1000, down to about six days lost. So, rather than being a third of the industrial disputation rate of Victoria per capita, it's now about a seventh. They're astonishing results, and I don't want to lose that, to lose the incredible edge for our State in terms of winning things like the warfare destroyers, or mining contracts or anything else. I keep pointing out to people that the only state that adopted the Federal system was Victoria, and so, it's not just a case of 'If it aint broke, why fix it', in fact it's like we've got an incredible edge and advantage. I mean, we're going to take the federal government to the High Court and I know some people

have dismissed our chances, but I think the other states will join us ... So, there's no doubt that it makes it harder, we can only do what we have the power to do¹⁴¹.

Subsequent to this interview, the states lost their High Court challenge to the Coalition and the latter implemented its new industrial relations reforms in March 2006 (Cowling, LaJeunesse, Mitchell and Watts 2006)¹⁴². In Opposition, the current Rudd Labor government indicated during the 2007 election campaign that *WorkChoices* would be rescinded. However Labor's impending legislation, while likely to be somewhat more sympathetic to workers, is also expected to support a unified national system.

3.3.4 Tensions between Social and Economic Objectives

Opening the SACOSS Annual Conference in 2005, Rann commenced his address with the following words:

Ladies and gentlemen, in 2005, the South Australian economy is in excellent shape. We've regained our 'triple-A' credit rating. Nearly all the major economic indicators are positive (Rann 2005).

This privileging of 'the economic' is revealing, suggesting Rann's belief in a 'trickle-down' theory of prosperity. Even though the Premier went on shortly after to state that the 'ultimate purpose of this wealth and good fortune we're enjoying' was to generate social dividends, he apparently felt embarrassed that he had not articulated this sentiment strongly enough. He reiterated his belief in social dividends immediately after Bob Hawke's relatively-more impassioned criticism of the Coalition-led policies that, in Hawke's view, had exploded Australia's wealth divide and left many living in poverty (Hawke 2005). Economic management has been one of Rann's central themes, and one stressed in the 2002 election campaign. Manning, commenting on the lead-up to the 2002 election, notes that the issue of economic management became dominant

¹⁴¹ Interview, Mike Rann, 2005.

¹⁴² Australian Government Work Choices website, accessed on 23 November 2007.

because of 'a higher than average per capita State debt' (2002:577). Both party leaders attempted to 'claim the high ground on economic management and [bombard] voters with statistics and costings for the various promises they offered' (Manning 2002:577). Labor's strong focus on economic matters continued to dominate the agenda in government. Bill Cossey felt that the State Bank legacy was behind Labor's obsession with economic concerns and fiscal 'responsibility':

... we've been through some pretty difficult economic times as a society and I think that, in our attempt to break out of that, or escape from it, I think we have probably put more emphasis on the state of the South Australian economy, the state of South Australia's finances and I think there's a natural correlation between the two ... but it's also pretty obvious that we have a government that is very concerned about the strength of the economy, the strength of South Australia's financial standing with the assessors and that's probably limited to a degree what people might have expected this government to do. But I think it actually has its origins back in the rescue effort that people thought needed to be mounted in the aftermath of the State Bank¹⁴³.

Mark Butler, who at the time had been preselected to a safe Labor seat and therefore might be expected to take a party line, predicted that an economic backlash would follow any attempt by the government to move forward on inequality:

... I think it's really hard. When you've got a national government so keen on letting market forces do whatever they will do, which is to increase levels of inequality, it's so hard for a state government, particularly in this State, with the state of its economy, to swim against that. And as much as I'd love to see them do it, I just think it's unrealistic and would damage the State even more in terms of economic development and returning a good number of jobs to South Australia. So, it's got to be national. I think all they can do is bandaid it. And they can do it through the sorts of policies we've been talking about, and trying to turn the tide economically in South Australia¹⁴⁴.

¹⁴³ Interview, Bill Cossey, 2005.

¹⁴⁴ Interview Mark Butler, 2005.

The policies previously talked about during the interview were, in fact, the government's social inclusion initiatives on the 'hard end', which, in the context of the inequality question, Butler inadvertently portrayed as 'bandaid' measures. Madeleine Woolley was less favourably disposed towards the government's overriding economic agenda. She felt that the pursuit of 'social inclusion' was constantly constrained by the government's obsession with economic growth, with getting the economic fundamentals right:

I think the predominant feature probably, you know, as a result of *public demand* is still very much in the territory of the economy. Social justice – well, I don't think that the expected 'trickle down effect' from a strong economy is a real one, and the efforts to strengthen social inclusion is somewhat fraught in the drive to correct what many in South Australia would see as a flawed economy. ... if you have a AAA rating and a bit of a surplus then the State's going to be better off, which suggests the 'trickle-down effect'. Now some of that may be beneficial to some people, but I think again it's hypothetical and I don't know that there's been much research happening about whether that takes place or not, that 'trickle-down effect'. You've still got the gap between those who are wealthy and those who have very little. ... Nobody would debate that it's anything but a good thing to have a strong economy but the debate against some social justice issues continue to be strong and not universally accepted as the responsibility of everyone. The level of discrimination that still exists is shocking [added emphasis]¹⁴⁵.

When questioned about who she meant in terms of 'public demand', Woolley went on to clarify that she meant 'people with voices', 'influential people'. It would not be too much of a quantum leap to infer from this that many of these 'influential people' were on the Economic Development Board.

The tension between economic and social matters was a theme pursued during Simon Schrapel's interview. He fully acknowledged the importance of a strong economy in South Australia, and was well aware that much of the inequality and poverty experienced at local level

¹⁴⁵ Interview, Madeleine Woolley, 2005.

emanated from the national-level policy regime. Nonetheless, he believed that the State government had failed to strike the right balance between social justice and economic objectives. In his words:

[I]n some ways I can understand them feeling pretty miffed that they're often sort of stuck in a position to ameliorate effects that they don't have direct control over. But nonetheless, I think the way our Constitution and the role of governments is set up, it is part of their role and responsibility and I don't think they've got that balance right at all in South Australia. ... [T]hey've got a very heavy focus on the economic development, or trying to provide the right conditions for economic development. ... [B]ecause South Australia is seen as a bit of a basket case – in terms of our reliance on manufacturing industry for profit and employment and you've got to come up with new ways of dealing with that, I can understand them going down that path. But we've got to also ensure that we've got good social programs that target those groups in our community who are in a sense the victims of federal policies and international economies, too, and we actually need to ensure that our safety net extends out well and truly wide¹⁴⁶.

In respect of the latter point, Schrapel was clear that the Social Inclusion Initiative, with its narrow targets and residual focus, went nowhere near providing the sort of safety net required for the increasing number of vulnerable people who came into contact with his sector's member organisations, particularly in light of the globalisation impact.

The law and order agenda is another area where social and economic objectives were on a course of collision. Freedon suggests that 'zero tolerance' is a hallmark of the Blair Third Way model, which has been influenced substantially by United States public policy (Freedon 1999:46). A 'tough on crime' position is also a prominent feature of the Rann Government (Foley 2004; Rann 2005). In criminalising relatively minor offences, and talking up law and order campaigns, governments incite fear in the community and thus garner popular support for harsher penalties and for lower investment in prevention, early intervention and rehabilitation.

¹⁴⁶ Interview, Simon Schrapel, 2005.

From Simon Schrapel's perspective:

The tough on crime stuff is I think a classic example. ... There is no particular concern about rehabilitation – incarceration, mostly incarceration. And I think the more we actually spend on law and order and enforce tough laws the less focus there ever will be on working with that group. I mean before we demonise them [we must consider] both the factors that cause that crime, and also on the other end of it, once it's actually committed. I think we almost have a view that once people have committed a crime, well in a sense we demonise them, you know, it's their fault, we blame them, they're evil people. It's not a society or systems issue, it's actually a problem that they're bad people as opposed to a bad or a malfunctioning society. ... You know, it's bleedingly obvious in many ways that if we can't address those sort of fundamental issues we're actually going to continue to have that crime committed. And it is different from some of the more serious ends of stuff that is psychologically motivated than it is societal. So yes, so that's an agenda I think where the focus on the Triple A rating and economic achievement at all costs has clearly had to erode other areas¹⁴⁷.

The 'tough on crime' position was pursued at the very same time as crime prevention and prisoner rehabilitation suffered budget cuts. Legal academic and Labor insider Rick Sarre has himself been publicly critical of the harsher penalties regime, observing that 'if the Government could show it was serious about its pre-election "social inclusion" credentials, it would reduce crime and victimisation at a fraction of the cost of the new prisons that will be required under the plans ... announced' ('More of same laws won't reduce crime', *Advertiser*, 25 September 2002).

3.3.5 Inequality and the South Australian Strategic Plan

The first version of the South Australian Strategic Plan mentioned inequality once, and, like Basil Fawly, appears to have 'got away with it'. Table 1 reflects how the inequality target in the Plan was expressed.

¹⁴⁷ Interview, Simon Schrapel, 2005.

Table 1. Income Inequality, South Australian Strategic Plan

NOTE: This figure is included on page 114 in the print copy of the thesis held in the University of Adelaide Library.

Source: Government of South Australia (2004:54)

As can be seen here, T6.3 can hardly be considered a target as it is not quantified. Moreover, the fundamental thinking behind it overlooks the fact that raising the lowest incomes relative to the average means that the average also rises. The target is and must necessarily remain elusive both for this reason, and because incomes at the other end of the scale are most unlikely to remain static on current trends (see Bradshaw 2003:6; also Mayes 2001 and Giles' comments reported above).

Many of the other targets in the Plan were assigned priority actions and a leading agency. In this instance, no priority actions were allocated, and no agency was assigned primary responsibility for the target's achievement. Furthermore, it was not even listed on the 'Social Inclusion Agenda' as apposite to the Initiative's work (Social Inclusion Unit 2005). It was, however, ultimately referred to the Social Inclusion Board early in 2006 (C McGowan, Pers. Comm., 28 February 2006) 148, and the South Australian Strategic Plan Progress Report noted that the Unit had been given 'lead responsibility' (South Australian Strategic Plan Audit Committee 2006:111). From Social Inclusion Board Minutes, it appears that the Board recommended further exploration of the extent of 'Financial Exclusion' in South Australia at a meeting on 6 October 2006¹⁴⁹. The website makes no reference at all to this issue, or to the 'inequality' target being part of the Initiative's work.

148 McGowan was at the time Director, South Australian Strategic Plan.

149 Since that time the Unit has reportedly been developing an area of work on 'financial literacy' – which is in any event said to be somewhat at odds with the extreme form of financial deprivation experienced by the State's severely marginalised (P May, Pers. Comm. 11 December 2007).

The first report on achievement towards the South Australian Strategic Plan targets was produced in June 2006. The report indicates that, amongst other things, income inequality had not shifted over the four years in question: 'There has been little movement on gaps in income inequality ... although there has been an increase in the average incomes of the lower income cohort' (South Australian Strategic Plan Progress Report 2006:78). This suggests that there had, in fact, been an increase in the upper cohorts, otherwise gaps in overall inequality should have diminished. The South Australian Strategic Plan Audit Committee, referring to difficulties associated with measuring the inequality target, observed that the 'SASP is silent on the number of people who are in poverty in South Australia'. The Committee accordingly recommended that 'a target and measure of the incidence of poverty' should be added (South Australian Strategic Plan Audit Committee 2006:83). The Committee also recommended that the target be changed so that a broad range of income percentiles would be measured and compared (2006:104). The updated Plan published in 2007 indicates that:

The original Plan had a target for narrowing the gap between those on the lowest incomes in South Australia and those on average incomes. This presented certain technical difficulties. The new target, which looks at the proportion of households which rely on welfare payments of various sorts (other than the age pension), is considered of greater use and relevance (Government of South Australia 2007a:35).

The updated target is expressed as:

T6.5 TARGET - Economic Disadvantage (existing – modified): reduce the percentage of South Australians receiving benefits (excluding age pensions) as their major income source to below the Australian average by 2014 (Government of South Australia 2007a:35).

There are a couple of underlying assumptions here that are worth illuminating. One, because age pensions are excluded, is that the age pension benefit is adequate to ensure people avoid economic hardship when it is common knowledge that aged pensioners are often under financial stress; another is that, if a welfare recipient comes off benefits (either fully or partially),

her or his *material* circumstances will accordingly have improved because of labour market participation. These are shaky premises. Research has shown that some people will be worse off in paid work than if they had remained on benefits (Harding, Ngu Vu, Percival and Beer 2005) and that employment is in any event no guarantee of 'inclusion' in this day and age (Saunders and Taylor 2002:187-188). As Mark Butler commented (as already mentioned above), 'the poor used to be welfare families'. Now, however, working poverty is the reality for many. Furthermore, as research has shown, punitive withdrawal of benefits for deemed non-compliance with welfare obligations can actually cause 'exclusion' by making access to work for various individuals more difficult (Eardley *et al.* 2004:748; Kerr, L and Savelsberg 2003). A higher incidence of hidden unemployment (as these people tend no longer to appear on official labour market statistics) could thus potentially create greater inequality between people in work, and those who are not.

Data from the 2006 Census show that South Australia has a higher age dependency ratio relative to the national average (ABS 2007). In respect of older people 'at risk of poverty', the strategy is to retain them in work longer (Government of South Australia 2007b). This may well be appropriate for some people, yet only in the same way as it should apply to other pension or welfare beneficiaries: that is, only insofar as work can improve material circumstances to the extent that retirement lifestyle prospects are positive. Many mature long-term unemployed, not yet of retirement age, are actually on a disability or sickness pension. The reason why is that older workers are frequently discriminated against by employers and therefore cannot obtain work (Argyrous 2002). Forcing workforce participation in respect of these individuals could well result in further churning of vulnerable people between low paid work and unemployment.

It seems fair to assume that, at the time the new 'inequality' target was established in 2006, the number of people coming off welfare benefits in South Australia would have been very likely to increase *automatically* as a result of the Coalition's more coercive welfare policies. No

intervention at State government level would have been required at all to 'improve' outcomes from the 2006 baseline measure¹⁵⁰.

The only intervention implied in the achievement of the new 'inequality' target appears to be the Third Way formula of human resource development across the life spectrum, and the pursuit of economic growth (Government of South Australia 2007a:34). On the basis of the 'fact sheet' about this new 'economic disadvantage' target, 'strategic directions' for its achievement are yet to be developed (Government of South Australia 2007b). Nonetheless, well over a year after the new target had been outlined, SACOSS expressed disquiet about the adequacy of the measure itself, and frustration with the limited progress towards it:

While the State government has adopted a target on economic disadvantage (T6.5) in *South Australia's Strategic Plan* that seeks to reduce the number of South Australians whose main source of income is government benefits, we are concerned at both the inadequacy of this measure and also the lack of progress in formulating direct strategies to meet this limited target (SACOSS 2007:7).

Notably, the government has chosen to ignore the South Australian Strategic Plan Audit Committee's suggestion that progress should be assessed by a 'poverty measurement', as well as by a range of income band comparisons. It is not easy to understand exactly why this measurement should present 'technical difficulties' (Government of South Australia 2007a:35), when ABS and other data relating to both poverty and income percentiles, for both households and individuals, is readily available. This reticence suggests a government reluctant to be evaluated on its real commitment to fair, or more equitable, socio-economic outcomes. As it stands, the measure now reflects a meaningless inclusion-exclusion dichotomy rather than enabling some transparency around the extent of poverty and inequality in the State. Further, in the context of the Coalition's authoritarian welfare-to-work reforms, the new target also tends to suggest opportunism.

¹⁵⁰

With the elevation of Labor to federal government at the end of 2007, there is some potential that the more draconian aspects of welfare reform may be removed and more emphasis placed on providing the supports and assistance people need to be able to access employment; this is to be part of the Rudd Government's 'social inclusion' agenda, (ALP website, accessed on 18 December 2007).

3.3.6 Opportunity and Human Capital Development

The South Australian government appears to subscribe to the Third Way rendition of equality, that is, equality through 'opportunity' rather than, as Giddens (1998:100) portrays it, the 'old Left's' antiquated pursuit of equality of outcome¹⁵¹. The South Australian Strategic Plan, in Objective 1, 'Growing Prosperity' expresses the third of the government's three key challenges as '[Ensuring] that all South Australians are able to share in the growth by reducing *inequality of opportunity*' (Government of South Australia 2004:15, added emphasis). A Third Way 'rights and responsibilities' discourse also emerges:

It is vital that we invest in the skilling of our youth, who face considerable challenges in gaining a secure place in the labour market. In addition, young people in the transition from education to work must understand the changed nature of the workforce and the requirement for higher skill levels and lifelong education.

All South Australians who want to work must be able to secure meaningful employment in the State. But this requires a *reciprocal commitment* – *they must be prepared to acquire new skills and engage in an economy that is dynamic and structurally evolving* (SASP 2004:115, added emphasis).

Investment in 'human capital' is therefore seen as the appropriate intervention by government, not only to redress 'inequality of opportunity', but also as a critical economic driver:

The biggest difference we can make as a State is through the investment we make in South Australians. We must invest in our human capital as never before, because this is the key to achieving our economic potential. This must be an imperative if we are to prosper economically and become a fairer and more inclusive society (SASP 2004:15).

Harnessing human capital development, lifting education levels and expanding the skills base is in turn assumed to be able to generate a more robust economy automatically leading to more

¹⁵¹ The Third Way focus on 'equality of opportunity' is explained in Chapter 4.

jobs. Attaining 'fairness' and 'inclusivity', then, is subordinated to the 'growth before distribution' ethos normally associated with economic liberalism. As mentioned previously, Rann sidestepped the question about how the government would address 'income inequality'. When later asked what could be done about the polarisation of wealth in the State he was explicit about the role of education:

Well, I mean, obviously, my response is going to be that, ultimately, ultimately, education is the key to opportunity. It was for – I mean I come from an incredibly working class background, I'm the first Rann in a 'hundred generations' to go to university, so I'm quite fortunate actually¹⁵².

So, Rann's message conveys that education was the key for *him*; it elevated a young man from a working class background to high political office; education can therefore be the 'key to opportunity' for others and doubtless, for some, this will prove to be true.

Like Rann, a number of commentators pointed to education as the answer to social exclusion problems. Secondary education reform would be paramount in equipping people properly for the workforce; indeed, strong interest in creating alternative education pathways and choice for students was evident¹⁵³. As discussed in Chapter 1, this was part of the impetus for the review of the South Australian Certificate of Education. Janet Giles, a former teacher and previously Secretary of the South Australian Institute of Teachers, had keen interest in education curriculum. She lamented the recent tendency for education directions to be usurped by industry at the expense of a broad general education provision. University education was valued, but VET (vocational education and training) was not necessarily given the same credibility. This too sifted people into labour market divisions they would find difficult to transcend:

¹⁵² Interview, Mike Rann, 2005.

¹⁵³ Interviews, Mark Butler, 2005; Bill Cossey, 2005; Madeleine Woolley, 2005; Janet Giles, 2005.

... the link with the university system too – about what's valued learning and what isn't, that whether learning in itself is valued at all – there's been a real shift to vocational education, not a good, solid, broad general education for all. The latest figures that came out recently, and something that I've always suspected, is it's driving girls into vocational education around some industries – well, I know what the labour market's like – it gives them a future of low-paid, scummy jobs out there that have got no future ... I think it's very, very problematic, and it needs some really good, solid thinking about how we reform it. And the answer isn't, I believe, just to create another whole stream of vocational education if that doesn't lead to any sustainable futures for those kids. I think that some of the best vocational education and training opportunities out there at the moment are actually in the very high-tech, high-academic, vocational areas – I mean electronics, nano-technology and all that sort of stuff¹⁵⁴.

As the system operated currently, vocational qualifications often worked to the detriment of some young people; the demands from employers were more about job readiness. Giles continued, pessimistic about the effect that current training programs had on career prospects:

... fooling kids to think that if they've got a vocational education qualification that they'll get a job, it's just lying to them. So I reckon we need significant reform of upper secondary education and also of vocational education and training. We've got heaps of evidence now which is basically saying that it's being used by a whole heap of employers out there just to employ cheap labour, to give young people no future at all. And they get Commonwealth subsidies, they can put the kids on low wages and give them no future¹⁵⁵.

Madeleine Woolley (previously a TAFE Institute Director as well as a tertiary education teacher) voiced an almost identical view about this, also linking it with the recent decline in traditional indentured forms of training. She also commented on the reluctance of industry to invest in training, which had led governments to 'play around the edges with people and think that programs in Year 11 and 12 were going to produce the workforce'. She felt that the public money being invested in these programs was 'ridiculous'¹⁵⁶.

¹⁵⁴ Interview, Janet Giles, 2005.

¹⁵⁵ Ditto.

¹⁵⁶ Interview, Madeleine Woolley, 2005.

In other words, the view was that young people with successful *academic* results at Year 12 would either enter university and/or attain high quality jobs in the core economy. Others less competitive academically became channelled into 'dumbed down' VET credentials. These young people would be relegated to the peripheral workforce, either locked into low-paid jobs or a vicious cycle of churning between low pay and unemployment. It is something of an irony that industry's influence over the education and training curriculum has become more pronounced at the same time as governments have had to step up training effort in compensation for industry's poor investment in workforce skilling. While public sector services and utilities used to provide a framework for reinvestment in structured training and traditional apprenticeships, many of these services have now been outsourced, so this skills development avenue no longer provides skilled employees for private sector jobs.

School retention, as an officer in DECS explained, was always about targeting the 'most disadvantaged' students (C Sanders, Pers. Comm., 16 October 2006). Bill Cossey talked of marked disparities across the whole education system that had been revealed by the review of the South Australian Certificate of Education:

... in South Australia it's very clear that the school retention issue is one that polarises on socio-economic grounds. So, in the leafy green suburbs we've got school retention at a hundred percent, because kids migrate in to those schools in those areas. And given that we've got a retention rate that's down in the sixties, it means that in lower socio-economic South Australia we've got school retention rates that are way under fifty percent¹⁵⁷.

It is of further concern that these results attest also to significant disparities within the public education system itself, not only to differences between public and private schools. As Heather Parkes observed, 'we're not preparing our children for the best, I mean, we're not preparing all of our children equally well, and if we could do that to a greater degree, then a lot of what we're mopping up won't happen'¹⁵⁸. Educational inequality, according to Bill Cossey, had been

¹⁵⁷ Interview, Bill Cossey, 2005.

¹⁵⁸ Interview, Heather Parkes, 2006.

exacerbated by schools being allowed to manage global budgets, and leverage funding from parents. In this way the State's public education system had evolved towards a quasi-market situation¹⁵⁹. The Rann Government in 2006 announced its intention to close seventeen schools – all in less-affluent areas – because of falling enrolments and run-down infrastructure. These would be replaced by six 'super schools' to be built by private companies, with new premises to be leased back to the government (Kelton 2006)¹⁶⁰. Years of Liberal Government neglect and lack of public investment have contributed to this decline in educational infrastructure. Yet to what extent can the proposed amalgamation of these schools be expected to improve educational disparities across the socio-economic divide? The government's recurrent funding provision to the new schools would need to match *at the very least* the level of resources now enjoyed by schools and students in the affluent leafy-green suburbs and probably more. This is so because public schools in less-affluent areas have not only a higher proportion of students from lower socio-economic backgrounds (with fewer extra-curricular privileges) but also a higher concentration of students needing additional supports and services for any number of reasons. At the same time, the government's recurrent costs for education will rise because of rents associated with the transfer of public infrastructure into private hands¹⁶¹. So, in essence, the government has embarked on a targeted school retention strategy to improve social inclusion for students in situations of extreme disadvantage, but has resiled from any form of intervention which might arrest structural inequities arising from the play of market forces in the education sector.

3.4 Employment

The South Australian labour market, if it is to open up opportunity for all, has a lot to achieve. Stilwell stresses in bold type that '[T]he *normal functioning of a capitalist economy* generates

¹⁵⁹ Labor's (*Education (Materials and Services Charges) Amendment Act 2003 (SA)*) arguably made this situation worse, as it allowed schools to poll parents on the desirability of raising fees and then lift them accordingly.

¹⁶⁰ Freeden notes that, in the British context the practice of closing 'underperforming' schools and starting afresh on the same site has become a recognisable feature of education policy (Freeden 1999:46).

¹⁶¹ Furthermore, this policy seems to contradict the government's 'No New Privatisations' decree which was part of its 2002 platform and was renewed in 2006 (Government of South Australia 2006c).

economic inequality' (Stilwell 1993:41, original emphasis). This suggests that effective interventions to reduce economic inequality must seek to address the structural problems driving it. As labour market issues have been prominent within social exclusion discourses in Britain and Europe more broadly (Atkinson 1998; Hills, Le Grand and Piachaud 2002; Levitas 1998), and are clearly central to 'inclusion' in Australia, it is notable that employment, or unemployment, was under the exclusion radar (outside the brief career of *youth* unemployment discussed in Chapter 1). In its pursuit of economic growth, the government has throughout its term vigorously pursued mining and defence contracts which offer highly-skilled, highly-paid, 'high tech' jobs. Because of this activity, the State is argued to be moving from rust-belt to boom-belt (Manning 2007:649-650). However, as Mark Butler commented, uranium mining and defence industries were certainly at the more contentious end of the economic growth spectrum¹⁶². Furthermore, this will not necessarily address 'social exclusion' but has high potential to create more as wages rise for skills in hot demand and prices for other market-sensitive commodities follow¹⁶³.

3.4.1 Unemployment: Not a Problem?

The Rann Government claims credit for bringing unemployment down to its lowest rate for thirty years due to industrial expansion (SA Labor, 2005:79). However, the fact that headline unemployment rates have fallen in recent years, as Pocock and Buchanan (2003) reveal, is no cause for complacency. Unfair distribution of work, with coinciding instances of overwork and underwork, remains a significant problem within the labour market, with some regional pockets and particular demographic cohorts affected disproportionately. This is, in effect, where the labour market and social exclusion really intersect– at the 'hard end' of the labour market (see Chapter 5). Unemployment is a huge social problem that can be linked to suicide, rising crime, poor physical and mental health and other forms of social fracture. In the late 1990s, the Human Rights and Equal Opportunity Commission noted the prevalence of these factors particularly

¹⁶² Interview, Mark Butler, 2005.

¹⁶³ The rapid growth of the lucrative high-tech sector in Silicon Valley escalated local housing costs and left many outside the industry in severe housing stress (Holmes 2000).

where high unemployment affected South Australia's regional areas (Sidoti 1998). Inaugural Social Inclusion Unit Director, Heather Parkes, was asked whether 'employment' was ever considered as a reference during the implementation phase of the Initiative. She disclosed her background and interest in employment and indicated that, early on, she had suggested that employment might be considered in preference to some other issues:

My background's in employment, and I did suggest that perhaps some of the issues needed to be taken down and looked at the issue of employment. However they weren't part of the first references¹⁶⁴.

Parkes' position as Director had been advertised nationally as an open call that she won on through a merit-based selection procedure. Having had over twenty years' experience of employment in labour market policy and programs, and close association with policy developments in both Commonwealth and State arenas, she would have been ideally equipped to lend expertise in this difficult area. The decision not to pursue employment ultimately came down to establishing priorities. As discussed in Chapter 1, references were selected in part on their potential to show positive results very quickly. The Unit was working under considerable pressure at the time to achieve results within the timeframe set by government:

I think, to be fair, we had a very small team and we were struggling to determine how big we ought to make it, or how we could bring it down to reasonable parameters. And we were working on very tight timeframes, and we were supposed to do it all within the first year¹⁶⁵.

The South Australian Strategic Plan does contain a number of unemployment targets, but little strategy is evident. The Plan's Progress Report in 2006 highlighted that *unemployment* measured as a headline figure was on target having equalled the Australian average; *employment growth* was also happily 'on track' to meet the target. As already noted in Chapter 1, however, *youth unemployment* had failed to shift (South Australian Strategic Plan Audit

¹⁶⁴ Interview, Heather Parkes, 2006.

¹⁶⁵ Ditto.

Committee 2006:8). With regard to the general *unemployment* target, the second version of the Plan has followed the South Australian Strategic Plan Audit Committee's recommendation that the impact of long-term unemployment, and unemployment trends by gender, also be considered as supplementary measures (Government of South Australia 2007c). It is commendable that the government has been prepared to commit to improving unemployment targets in the South Australian Strategic Plan, and is willing to include more disaggregated data to obtain a better picture of who is affected. Nevertheless, general unemployment trends reflected in this measure still camouflage the high degree of labour market churning that continues to be the reality.

3.4.2 Regional Unemployment

Under Objective 5, 'Building Communities', the South Australian Strategic Plan target was simply to 'Reduce regional unemployment rates' (Government of South Australia 2004:49). A reduction in regional unemployment was recorded when this was evaluated two years on. However, as the Audit Committee highlighted, the absence of regional unemployment data at local level rendered this result almost meaningless (South Australian Strategic Plan Audit Committee 2006:68). What this logically means is that improvement in an aggregate figure for regional unemployment may well disguise improvements in one area with simultaneous deterioration in others. Employment could be booming in Roxby Downs and in serious decline in other regional centres like Peterborough or Coober Pedy. The Audit Committee recommended that the target be changed to reflect regional unemployment areas, and that 'within regional areas, the outcomes for people in traditionally disadvantaged groups (such as Aboriginal populations) improve over time' (South Australian Strategic Plan Audit Committee 2006:75). The updated version of the Plan, however, now makes no reference at all to regional *unemployment*. Twelve regional areas have since been defined and regional planning strategies will be completed mid-year 2008¹⁶⁶. Presumably, the regional strategies will incorporate an employment component but this is by no means obvious.

¹⁶⁶

South Australian Strategic Plan website, accessed on 12 December 2007.

The State government's recent 'shared services' proposal stands in some conflict with the Audit Committee's recommendations focusing on regional employment opportunities for disadvantaged groups. According to the Public Service Association's commissioned research, this decision would have a severely damaging impact on employment, and the social fabric, in regional centres ('Shared services - no gain, all pain', *Public Sector Review*, December 2007, pp1, 3). Local Councils too have bemoaned the projected loss of 260 jobs from across their regions but Michael Wright, the Minister responsible, remained resolute in his decision (ABC News Online 2007). Yet many of the severest social problems experienced in regional and rural communities have been because of withdrawal of government services (Sidoti 1998). The most recent ABS Census data reveals widening income inequality between those living in the capital city and those in rural and regional centres (ABS 2007).

3.4.3 Aboriginal Unemployment

In relation to Objective 6, 'Expanding Opportunity', the target was to increase Aboriginal employment in the public sector to two percent, and as a sub-category of T6.1, Aboriginal Wellbeing, the objective was to 'Reduce the gap between the outcomes for South Australia's Aboriginal population and those for the rest of South Australia's population [amongst other things] in relation to ... employment' (Government of South Australia 2004:53). The target of two percent Aboriginal public sector employment was not achieved. It was reported that:

The target of 2% Aboriginal employment in the public sector also appears unlikely ... within the specified 5-year timeframe. ...[T]he latter target has been in the public sector for a number of years and appears to remain out of reach despite the fact that the overall reduction in public sector employees in recent years has had a corresponding reduction on the absolute number of Aboriginal employees needed to meet the target. ...[F]ocussed efforts are required in those government agencies where the current incidence of Aboriginal employment is well below the 2% average (South Australian Strategic Plan Audit Committee 2006:78).

Bill Cossey believed that public sector employment was imperative in terms of improving outcomes for Aboriginal people:

Nowhere is this more needed than with Aboriginal people – with employment of Aboriginal people. And the South Australian public sector is going backwards in that area. We've had a two percent target ever since I can remember – which probably goes back almost to about 1980. The last figure that I saw was about 1.4 percent, but it's 1.4 percent of a much smaller number than the two percent was when it was first set back in 1980. Some people have tried to say that it's a new target because it's in the Strategic Plan, but I've said that that's just rubbish. It's been two percent for twenty years but we just haven't got anywhere near it. But when it was first set, it was two percent of 100 000, because that was the size of the public sector, so that's in round figures about 2000 people, but we're now down to 1.4 percent of 70 000 people which isn't even 1000. So the public sector has got an awful lot of improvement to do on just one indicator like that alone. And certain parts of our system where there are significant numbers of Aboriginal clients just lend themselves to Aboriginal employment, but we haven't figured out just what the barriers are. It's partly barriers to recruitment, but it's very much barriers to retention. So definitely in that area, the public sector ought to be showing the lead¹⁶⁷.

Containing the public sector employment threshold has for governments of all persuasions become almost a fetish. In its first year of office, the Rann Government slashed the graduate recruitment intake by almost 75 percent (South Australia, HA, *Debates*, 2003:775), and Treasurer Foley indicated to Parliament in June 2006 that a cap on public sector numbers and/or a freeze on appointments (to reduce the employment base through attrition) were under consideration (South Australia, HA, *Debates*, 2006:622). Public sector employment was a critical element of Keynesian thinking, providing a buffer for poor private sector labour markets. However, now, even for the 'most vulnerable' – the government's social inclusion target group – this option is effectively closed because of Labor's rigid compliance with neoliberal dicta.

3.4.4 South Australia Works

Employment issues, embedded in workforce development, had begun to be addressed by Department for Further Education, Employment, Science and Technology. The State's workforce development strategy, *South Australia Works*, was launched in 2003, but views were

¹⁶⁷ Interview, Bill Cossey, 2005.

very mixed about its effectiveness. Mark Butler, from his union perspective, appeared to have little confidence in it:

... it's pretty embryonic and it's going have to get moving quickly. And to the extent that it's happened, it's happened in pretty easy areas. ... Trialling it in a sector like aged care, for example, now that will require some pretty serious analysis and projections¹⁶⁸.

While aspects of the *South Australia Works* project were deemed to be working reasonably well in assisting some Job Network¹⁶⁹ clients to take up employment opportunities, it was recognised at a senior level that problems persisted in terms of connecting the *most disadvantaged* individuals and groups with employment. Lou Hutchinson, Director of Employment Programs with DFEEST, commented:

... further down the food chain so to speak there's a lot more that could be done in terms of whose responsibility is it and how do we [ie State and federal agencies] actually connect our services to give those individuals continuum¹⁷⁰.

The people who had gained jobs, it was felt, would have been able to access them by dint of their own efforts. Another senior officer working in the area felt that the focus of the government in workforce development was rather more on satisfying the needs of local firms than ensuring the wellbeing of disenfranchised individuals; hence employment objectives were subsumed under an economic supply-side agenda. Lise Windsor commented, in similar vein to Lou Hutchinson, that much better linkages needed to be made in respect of connecting the State's most vulnerable people with employment opportunities; this was not at all well managed and remained an unaddressed problem.

¹⁶⁸ Interview, Mark Butler, 2005.

¹⁶⁹ The Job Network is a national operation comprising private and community agencies funded by the Commonwealth government to administer services for the unemployed, see Job Network website.

¹⁷⁰ Interview, Lou Hutchinson, 2006.

3.4.5 Skills Shortages, Labour Shortages

Reportedly, the language of 'employment' and 'unemployment' has in recent times been obscured by discourses of skills shortages and labour shortages. Significant disparities in employment distribution continued to persist, particularly overwork, underwork, related issues of income polarisation, accessible childcare, and factors associated with casualisation and precarious forms of work. These, it was felt, were appropriate areas for employment policy interventions but little, if any, activity was evident from a public service perspective¹⁷¹. This observation, made by an officer working in the area, is in fact supported by academic research. Masterman-Smith *et al* pertinently note that:

[T]he expansion of precarious employment in the services sector has not absorbed the full capacity of the Australian labour force with the labour under-utilisation rate standing at 11 per cent in 2004. ... This has led to a largely rhetorical emphasis on skills shortages. ... Meanwhile 'the key causes of most labour market problems – institutional shareholders, their management agents and the arrangements they devise that restructure work – are systematically ignored' (Masterman-Smith *et al*. 2006, citing Buchanan *et al*. 2000:31).

There is no 'employment' or 'labour market' policy as such, and the State has not had an official employment policy position for some years¹⁷². The local economic boom and projected demand for skills and labour has, however, elevated the importance of educational engagement and higher skills levels. Bill Cossey, for example, commented:

I'm looking at three or four years ahead. I actually think we're going to be confronting a period ... that there will be more jobs than people available to do them, skilled people available to do them. ... I think even quality jobs. That's where I think South Australia runs the risk. If we don't fix up this school – it doesn't have to be school retention to year 12. But if we don't fix up this trend that we've got of significant numbers of kids dropping out of school from year 8 onward, in my view, it wouldn't matter how talented a young person was, if they've dropped out of school at year 8, the

¹⁷¹ Interview, Lise Windsor, 2006.

¹⁷² Ditto.

chances of them being employable, or seen to be employable, in whatever job you might have, is going to be pretty low. So we've got to find a way to keep them engaged with the education and training system much longer than year 8¹⁷³.

The mass exodus of the 'baby boomer' demographic from the State's workforce would result in a significantly tighter labour market than had been the case for some time. Mark Butler commented:

... we've not had a tight labour market for many, many years. Particularly in South Australia because of the demographic hump of the baby boomer generation, the number of jobs that are currently occupied by baby boomers who are about to retire is such a large number compared to the generations that are going to be backfilling those holes when they do retire, undoubtedly you're going to have a tight labour market, which is good, because those significant changes to the labour market happened in a period of the worst labour market, and that's why they've been able to – as well as, you know, an employer class driven by an agenda, sympathetic governments, because, you know, both the Labor government and the Coalition – it would have been much harder for them if the labour market was as tight then as it is now¹⁷⁴.

He felt that, while the prevailing conditions might moderate some of the worst labour exploitation excesses, it was unlikely that this situation could be of any real value to workers because of the explosion of low-paid jobs. Many of these, as he said, were occupied by women and were in areas considered to be low skilled¹⁷⁵.

This current, or projected 'tight' labour market in South Australia is possibly behind the government's commitment to swelling the State's population base, relatively rapidly, through immigration (Government of South Australia 2007a, target T1.22). A larger workforce will undoubtedly mean a more competitive labour market, and a market likely to exploit new arrivals to the State (Wiseman 1998:61).

¹⁷³ Interview, Bill Cossey, 2005.

¹⁷⁴ Interview, Mark Butler, 2005.

¹⁷⁵ Ditto.

Conclusion

The Social Inclusion Initiative is said to be about addressing the causes, rather than the symptoms, of social exclusion. It appears, however, that poverty, inequality and unemployment apparently qualify as neither cause nor symptom. More than one observer felt that the needs of the State's most disadvantaged were not being addressed and that structural weaknesses within the South Australian economy, the main 'exclusionary' driver, remained a non-issue. Poverty, within political discourse, has become as unseasonable as 'mentioning the war'. Material hardship has nonetheless become more prevalent in South Australia – not only for those without work, but for vulnerable people exploited in the workforce and churned through low-paid jobs and welfare. Unemployment, under-employment, and low pay, on the one extreme, and overwork and rising executive salaries on the other, are identified factors behind increasing polarisation of incomes in the State. It is assumed by the Labor government that economic growth, and interventions to address *some* of the specific manifestations of poverty, will be sufficient to secure social cohesion. Yet in the context of widening inequality it is likely that social problems, arising from discrimination on the one hand and resentment on the other, will ferment. While the State government has expressed a commitment to reduce unemployment, this is not well articulated as a policy position and in some respects has been subsumed by a 'supply-side' workforce development agenda, an agenda that is known to overlook the most vulnerable. Even the government's 'economic disadvantage' target in the South Australian Strategic Plan appears opportunistic, linked as it is to the coercive welfare-to-work reforms which were introduced by the Coalition at national level. These reforms were expected to increase working poverty in the State, not reduce it. Education is presented as the panacea to wealth polarisation, yet the State's public education system itself exhibits structural fault lines, based on socio-economic difference, that very likely will continue to refer educational inequalities into workforce division. South Australia's social inclusion approach, while it targets problems and issues experienced by people on the margins, arguably does nothing to remove their major *cause*. The Social Inclusion Initiative (as was discussed in Chapter 1) conceptualises the 'problem' as 'the *process* [original emphasis] of being shut out from the social, economic, political and cultural systems' and as various forms of 'inequality' deriving

from discriminatory practices (Newman *et al.* 2007:11, citing Monsignor David Cappelletti). The processes causing poverty are, however, starkly structural reflecting class-based social closure, which, at its zenith, demarcates division of labour and in turn distribution of material reward. A robust economy will not be sufficient to rectify social disparities. As Part 2 will show, when the political economy of social exclusion is understood, the problem takes on a different form, a form that renders 'bandaid' measures inadequate.

PART 2

Theoretical Perspectives on Social Exclusion

CHAPTER 4

Ideas, Ideals and Ideology: Reflections on Social Exclusion

It is perfectly reasonable to develop a concept if it helps us to think well, but we must not go on to assume that, simply because we have invented a concept, there is something real out there in the world to which it refers.

Bessant, Watts, Dalton and Smyth (2006:253)

...there's nothing new in the whole world, and we can rename it, relabel it, plagiarise it, now it's social exclusion, now it's this, that and the other. Well, at the end of the day, we can see what's happening, I don't care what we call it. The fact is that things aren't getting better...

Ingrid Marshall, Social Inclusion Board (2005)

As far as social exclusion is concerned, bygones are not bygones but represent the starting point for the present.

Burchardt; Le Grand; and Piachaud (2002:2)

4.1 Introduction

In Chapter 1, it emerged that a good degree of confusion surrounded 'social inclusion' as a policy concept embraced by South Australia's Rann Government. The inaugural Social Inclusion Board was accordingly unsure of its role, the overarching agenda was somewhat unclear in an operational context, and even the references themselves were not initially well-articulated. It can be inferred that the primary reason for the adoption of this concept was that it symbolised reform innovation in the Dunstan tradition, and had a high profile within the Blair New Labour policy regime. In this chapter, we step back from the South Australian policy environment to reflect more fully on the meaning of social exclusion. The following discussion begins by exploring the many and varied characteristics, causes and effects that have been linked with social exclusion, then turns to examine the origins and history of 'social exclusion' as a term and a concept. This section draws substantially on Hillary Silver's seminal treatise which

develops three ideological paradigms of social exclusion, namely 'solidarity', 'specialization', and 'monopoly'. The discussion then locates social exclusion in New Labour's Third Way policy context and highlights some of the criticisms of the Third Way approach.

4.2 Meaning of Social Exclusion

Over recent decades, social exclusion has become a prominent theme not only in the policy arena, but also within a range of academic disciplines and multidisciplinary research fields concerned with aspects of social policy. It has also found a place on the research and policy agendas of supranational bodies like the European Union, the United Nations institutions (Burchardt *et al.* 2002:3; Vleminckx and Berghman 2001), the Organisation for Economic Cooperation and Development (OECD)¹⁷⁶, the World Bank, the International Labor Organisation (ILO) and others (Vleminckx and Berghman 2001) – which assists in explaining its broad dissemination across developing nations as well countries in the advanced industrial world¹⁷⁷.

In both the political and research arenas, social exclusion is commonly (and often uncritically) applied as an organising theme for a miscellany of social ills usually associated with material deprivation and socio-economic disadvantage. It has been picked up in just such a way in the South Australian policy context. There is general agreement that the conceptual complexity of this term is difficult to capture in a concise definition because of the wide variety of interpretations and nuances of meaning it encompasses (Atkinson 1998; Atkinson, Cantillon, Marlier and Nolan 2002; Burchardt *et al.* 2002; Levitas 1998; Munck 2002; O'Reilly 2005; Peace 2001; Sen 2000; Silver 1994; Vleminckx and Berghman 2001). It has become a ubiquitous catchphrase for conveying 'all things to all people' and as such has a definite appeal in political circles (Silver 1994). On the other hand its broad currency, imprecision and ambiguity is reason enough for some researchers to reject it altogether (Burchardt *et al.* 2002).

¹⁷⁶ Publications under the theme, *Tackling Poverty and Social Exclusion*, can be found at the OECD website (accessed on 9 May 2007).

¹⁷⁷ The publications listed at the International Labor Organisation website (accessed on 3 August 2006) give some idea of the breadth of international interest in this topic.

The discussion which follows explores various positions within the debate with a view to developing an understanding of the different ways in which social exclusion is characterised, in order to draw out what this implies for policy makers.

4.2.1 Relativity to Social Norms

For progressive theorists on the left, it is the embedded character of social exclusion that gives the idea its latent power. Social exclusion is *relative* to a particular society at a particular point in time; *exclusion* must be relative to *inclusion* and cannot be isolated (Atkinson 1998; Barry 2002; Burchardt *et al.* 2002; Byrne 1999; Hills 2002; Munck 2005; Percy-Smith 2000a; Piachaud 2002; Sen 2000; Silver 1994). For these writers, social exclusion has purchase insofar as it directs the focus onto participatory norms in time and place. Within the genealogy of ideas about society, work, citizenship and the quality of life, Sen traces the conceptual lineage of social exclusion back to Aristotle, finding more recent resonance in Adam Smith's work, which advocates a material sufficiency to ensure the 'necessaries' for liberal social participation:

By necessaries I understand not only the commodities which are indispensably necessary for the support of life, but what ever the custom of the country renders it indecent for creditable people, even the lowest order, to be without ... Custom has rendered leather shoes a necessary of life in England. The poorest creditable person of either sex would be ashamed to appear in public without them (Sen 2000:7, quoting Smith 1776/1996:351-52).

While Smith's objective was arguably directed to national economic wellbeing, this passage illustrates with stunning clarity the idea of *relativity*, or participatory norms, and the explicit distinction between the 'indispensable' (needs) and the 'necessaries' for social inclusion¹⁷⁸. The Centre for Analysis of Social Exclusion (CASE) in the UK employs a working definition that, in similar vein to Smith's notion, foregrounds 'normal' activity:

¹⁷⁸ See also (Piachaud 2002:11) who, also acknowledging the work of Smith, represents 'necessaries' as five different forms of 'capital' essential for inclusion: *financial capital, physical capital human capital, public infrastructure, and social capital*.

An individual is socially excluded if (a) he or she is geographically resident in a society but (b) for reasons beyond his or her control, he or she cannot participate in the normal activities of citizens in that society and (c) he or she would like to so participate (Barry 2002:15, citing Burchardt, Le Grand, and Piachaud 1999:229).

This sort of definition engenders (at least from a socially progressive perspective) a consideration of what resources, or forms of intervention, are required to enable normal social participation, or in Sen's conception, are required to ensure everyone is *capable* through their command of resources – however constituted – of staking a claim in the social and economic wealth generated by their given society (Sen 2000). Citing Atkinson's example, within a social exclusion paradigm (and unlike conceptions of poverty) it cannot be sensibly argued that, because everyone is markedly better off today than (say) mediaeval aristocracy, their inclusion is automatic (Atkinson 1998:13). In this way, social exclusion is held to contest the 'absolute', or subsistence, reading of poverty which by its nature sanctions extremes of wealth within any social milieu whose economic system has moved beyond subsistence.

4.2.2 Poverty and Social Exclusion

How social exclusion relates to poverty or differs from poverty is a persisting theme within the literature. There are a range of political and ideological positions taken by those who embrace the social inclusion concept, for example Atkinson 1998; Bessis 1995; Bradshaw, Williams, Levitas, Pantazis, Patsios, Townsend, Gordon and Middleton 2000; Burden 2000; de Haan 2001; Hammer 2003; Hills 2002; Hills and Stewart 2005; Percy-Smith 2000a; Saunders 2002b; Saunders and Tsumori 2002; Sen 2000; Silver 1994). However, it would be fair to say, as Arthurson and Jacobs (2003) have, that these discussions have done little to clarify the issue or consolidate the conceptual integrity of social exclusion.

For a number of researchers engaged in poverty-related projects, social exclusion is welcome and timely because it broadens the concept of poverty. It moves the parameters of the poverty debate beyond simple income level measures but without ignoring their effect (Bradshaw *et al.* 2000; Saunders 2002b; 2003; Saunders and Adelman 2005; Sen 2000). As Sen puts it, it

enables us to 'look at impoverished lives, and not just at depleted wallets' (2000:3). Whether poverty is measured as 'relative' or 'absolute' becomes irrelevant, because on both counts the different manifestations that 'social exclusion' may have, regardless where the line is drawn, can provide a focal point for when, where and how social investment should take place across the life course to circumvent catastrophe. This has been the motivation for a measurement framework under development by the University of Sydney's Social Policy Research Centre that seeks to identify the impact of low incomes on people's lived experiences (Saunders, Naidoo and Griffiths (2007).

From a neoliberal angle, the idea of accurately targeted expenditure sits well within a post-welfare state paradigm. Targeted approaches *per se* are not in question here; they can be both effective and efficient for prevention and early intervention purposes. Be that as it may, in the 'post-welfare state', reducing public resources has become conventional wisdom, and government investment in underwriting collective risk is seen as antithetical to the neoliberal ideal of individual responsibility (Jamrozik 2005:31). This is in contrast to the post-war period when the principle of universal access assisted in containing, with some exceptions, social difference across the general population (Spicker 2002).

For some, social exclusion remains simply a euphemism for poverty. This view can hardly be discounted as it was initially deployed in a political environment (Silver 1994, as discussed below). Atkinson maintains, however, that the concepts of poverty and social exclusion are not interchangeable (Atkinson 1998:9). If poverty is taken by its formal dictionary definition – and Atkinson here cites 'lack of money or material possessions' – it may result in social exclusion, but this will not necessarily be the case: 'People may be poor without being socially excluded ... [and p]eople may be socially excluded without being poor' (Atkinson 1998:9). Poverty, nonetheless, is often a 'key precursor, marker, or component of social exclusion' (Hobcraft 2002:2; see also Bradshaw *et al.* 2000:13). Obviously, poverty and social exclusion are not interchangeable with respect to the 'voluntary' exclusion from society of upper-strata elites

(Giddens 1998), although arguably there is an inverse causation relationship between the two (Byrne 1999).

Putting aside the upper strata elites, social exclusion's conceptual resonance with relative poverty is argued to be less a novel idea than a recycled one (Sen 2000). The notion of multiple indicators linked to living standards reflects relative poverty analysis conducted by Peter Townsend during the 1970s (Bradshaw *et al.* 2000; Burchardt *et al.* 2002; Burden 2000; Piachaud 2002). Townsend's definition of 'relative poverty' is stated as '[having] so few resources in relation to the average that the purchase of goods and participation in activities regarded as normal is not possible' (McClelland 2005:8 citing Townsend 1979). While this aligns quite well with the UK Centre for Analysis of Social Exclusion's definition, it is arguable that Townsend's interpretation delivers a stronger call to action because it privileges the reference to 'resources'. Further, the idea of multilevel analysis is not new either. Poverty research has for quite some time been conducted on a range of levels, for example, household, family and individual (Bradshaw *et al.* 2000:2, citing Bradshaw and Sainsbury 2000a and b), and studies into poverty dynamics are today commonplace (Bradshaw *et al.* 2002:2002, citing Bradbury, Jenkins and Micklewright 2001). A more important charge from Arthurson and Jacobs (2003) is that social exclusion does nothing to *extend* Townsend's approach or clarify understanding about processes and structures associated with poverty and inequality.

Others see usefulness in the fact that non-participation occurs for reasons that are not explained by insufficiency of 'material resources'. Thus issues such as 'physical accessibility, childcare, transport, time, fear, or cultural appropriateness' may be the source of exclusion for people whose material wellbeing is not an issue (Burchardt *et al.* 2002:5). Inclusiveness strategies, from this perspective, need not single out the poor. Yet critics such as Levitas claim that this is ameliorating poverty by 'stealth' (see Driver 2006:331 citing Levitas 2005). Thus it fails as a strategy to build a progressive constituency around poverty and deprivation as issues in their own right (Hills 2002:241). This, too, is a fair criticism if one expects from political

leaders an honest acknowledgement of the problem and a courageous style of leadership that forges a progressive electoral consensus.

4.2.3 Multiple Dimensions of Disadvantage and Multilevel Causes

Social exclusion is characteristically, for Sen 'inescapably', a multifaceted phenomenon (2000:4). To start with, the list of things people may be excluded from is almost interminable.

Sen draws upon Silver's work which makes reference to exclusion from:

... a livelihood; secure, permanent employment; earnings; property, credit, or land; housing; the minimal or prevailing consumption level; education, skills, and cultural capital; the benefits provided by the welfare state; citizenship and equality before the law; participation in the democratic process; public goods; the nation or the dominant race; the family and sociability; humane treatment, respect, personal fulfilment, understanding (Silver 1994:541).

Researchers have accordingly been concerned with what the various dimensions are and how the variables relate to each other (see for example Atkinson *et al.* 2002; Hills *et al.* 2002; Saunders 2003). Silver's list is, of course, indicative rather than exhaustive, which highlights another problem for researchers in the sense that the scope for research is restricted by the extent to which data is available on various issues (Hobcraft 2002). Bradshaw has noted that data availability has actually improved as a result of the concept being taken up (Bradshaw 2003). Yet, as Arthurson and Jacobs (2003) argue, there is no consensus on what the important aspects are, and in fact different countries and regions have different emphases (as will be shown by reference to Silver's (1994) work discussed below). This has led to the proliferation of incompatible research frameworks which, according to Arthurson and Jacobs (2003:14), not only defies the interests of 'analytical rigour and conceptual clarity', but concentration on prescribed focus areas and targets may even obscure 'distinctive influences of specific policies and processes'. Because of this, the authors conclude that the concept is of limited value in advancing knowledge about poverty and inequality.

Burchardt *et al.* (2002:7-10) have attempted to capture something of social exclusion's multilayered complexity in their conceptual framework. Social exclusion influences, or vulnerability factors, can be experienced at individual, family, community, local, national and global levels:

Individual: e.g. age, gender, race, disability; preferences, beliefs and values

Family: e.g. partnership, children, caring responsibilities

Community: e.g. social and physical environment, schools, health, and social services

Local: e.g. labour market, transport

National: e.g. cultural influences, social security, legislative framework

Global: e.g. international trade, migration, climate change

(Burchardt *et al.* 2002:7, extracted from Figure 1.1. An integrated approach.)

These layers, depicted as horizontal concentric 'onion rings', are intersected vertically by processes and events, some rooted in the past, that have a time continuum. The dynamic trajectory of exclusion, however, is contingent upon the interplay of actions, choices and constraints bearing on the present, including social attitudes and government interventions (Burchardt *et al.* 2002:7)¹⁷⁹.

Because the multidimensional manifestations of social exclusion often interrelate, and can be exacerbated by other dynamic processes, disadvantage can become compounded and entrenched. Vleminckx and Berghman, for example, describe social exclusion in the following terms:

...a concoction (or blend) of multidimensional and mutually reinforcing processes of deprivation, associated with a progressive dissociation from social milieu, resulting in the isolation of individuals and groups from the mainstream of opportunities society has to offer (Vleminckx and Berghman 2001:46).

¹⁷⁹

The edited text *Understanding Social Exclusion*, which presents findings of research undertaken at the British-based Centre for Analysis of Social Exclusion, explores how a variety of these factors articulate (Hills *et al.* 2002).

Experience of social exclusion on one dimension arguably increases vulnerability on other dimensions. Single aspects of social exclusion which may not be disastrous by themselves interact with other aspects in a demoralising downward spiral that, unassisted, people become powerless to arrest (Percy-Smith 2000a; Raveaud and Salais 2001; Sen 2000). Sen illuminates this point:

...being excluded from the opportunity to be employed or to receive credit may lead to economic impoverishment that may, in turn, lead to other deprivations (such as undernourishment or homelessness) (Sen 2000:5).

There is for some a sense that the excluded are 'marooned' (Davies 2005:5) or trapped (Vleminckx and Berghman 2001), or permanently cut off from society (although Byrne (1999) contests this notion, arguing instead that the excluded, victims of uneven capitalist development, are always tethered to the labour market and cycled between low pay and welfare)¹⁸⁰. In the unfortunately stigmatising words of former British Prime Minister Tony Blair, the excluded 'are people who have lost hope, trapped in fatalism. They are today's and tomorrow's underclass, shut out from society' (Mandelson 1997:6). Different age cohorts are vulnerable to different aspects of social exclusion at specific points across the life course, and the effects are often intergenerationally transmitted (Atkinson 1998; Burchardt *et al.* 2002; Hobcraft 2002). In contrast to the post-war period, upward social mobility has become much more difficult and there is less likelihood that one's socio-economic status will improve intergenerationally (Byrne 1999:126-7).

4.2.4 'Joined up' Policy

The interrelated and compounding nature of social exclusion symptoms has translated into the much-trumpeted 'joined up' policy approaches exemplified by the work of New Labour's Social Exclusion Unit in the UK. In a Fabian pamphlet published during Blair's first days in office, Peter Mandelson reported:

¹⁸⁰ Byrne's (1999) argument in many ways resonates with regulation theory explanations, which are explored in Chapter 5.

The Prime Minister believes that the Government's efforts, for all their fine intentions, are insufficiently directed. That we spend a great deal of money and energy but too much of it goes to alleviating the effects of social exclusion rather than preventing it from happening. There is a proliferation of programmes with insufficient collaboration between the different agencies involved at national, local and area level. As a result we are spending vast sums of money, often over and over again on the same people through different programmes, without improving their ability to participate in the economy and society (Mandelson 1997:8).

The reforms thus emphasised improved cross-agency cooperation and collaboration, and partnerships and alliances with non-government bodies in recognition of flawed policy decisions, fragmented program initiatives, duplication of resources, and institutional weaknesses that were held to be a legacy of previous governments (Percy-Smith 2000a:17). While 'joined up' policy effort appears to make a lot of sense on the face of it, government agencies have discrete statutory responsibilities that make text-book 'joined up' coordination problematic:

Coordination ... is the will o' the wisp of public administration, an apparently common-sense effort to make sure that all parts of government are heading in the same direction, which on closer examination becomes an illusion. Coordination or joined-upness ... is not a policy in itself, nor is it a solution when the problem is that different bodies have different priorities and preferences and are answerable to different stakeholders. To talk of joining up is to address the symptom of the problem and not the cause, which is that different people and agencies have different ideas about what is the nature of the problem and what works in addressing it. In any case, joining up may mean no more than substituting one criterion of division for another. ... Joining them up on the basis of client groups ... may mean disjoining them functionally ... (Keating 2003:429-430).

The UK Centre for Analysis of Social Exclusion examined social inclusion outcomes after New Labour's first two terms, noting that the government's efforts and commitment contrasted favourably with the approach of their Conservative predecessors. However, while they acknowledged that some progress towards the government's social exclusion targets was evident, there were recurring problems and increased vulnerability for certain categories of

people. Overall improvements in health and education, for example, had left some groups lagging even further behind. John Hills, a co-editor of the research, commented that:

In virtually all of the areas discussed there is still a very long way to go to reach an unambiguous picture of success. Sustained and imaginative effort will be needed to make further progress and to reach groups not touched by policy so far (Utting 2005:2).

Kitty Stewart, another co-editor of the research, pertinently observed that ‘...there is no overall strategy for “poverty proofing” policies to ensure that action for tackling social exclusion is treated as a mainstream priority in every area of government’ (Utting 2005:4).

Others have questioned whether the more ‘holistic’, ‘joined up’ and ‘partnership’ focus improves operational practice, leads to more creative policy solutions, or can be properly accountable (Arthurson and Jacobs 2003). The opportunity to experiment and pursue innovative approaches requires, as Keating puts it, ‘excess capacity’ if organisations are to move beyond ‘the safe and the routine’ (2003:430). It has been implied that the massive reform of ‘professional, economic and political cultures’ that such a result would demand is not realistic in practice (Arthurson and Jacobs 2003:13 citing Taylor 1998). Furthermore, ‘excess capacity’ (Keating 2003:430) is contrary to neoliberal forms of fiscal management which view the scaling back of the public sector as a desirable end in itself (and this position, as was shown in Chapter 3, is clearly evident in the Rann Government’s position on the public sector).

4.2.5 Spatial Disadvantage

Spatial concentration of problems has often created ‘the formation of poor neighbourhoods or urban ghettos’ (Munck 2002:7). Run-down housing estates in inner city locations with endemically high levels of long-term unemployment are typical (Mandelson 1997:8). Similar impacts can be observed in outer industrial suburbs or regional areas affected by industrial decline. The effects of economic marginalisation in poor neighbourhoods can rapidly intensify and result in a vicious cycle of ‘acute decline’ due to residential sorting (Lupton and Power 2002:139). Areas becomes less desirable as businesses and services are run down and

antisocial and criminal activity increases; those able to move away are replaced by others whose lifestyle choices are seriously constrained by difficult circumstances, or who are keen to exploit illegal activities or dominate criminal networks (Lupton and Power 2002).

Local regeneration strategies and community development approaches have accordingly become an important strand of social inclusion policy in a bid to combat 'area abandonment' (Burchardt *et al.* 2002:4; Percy-Smith 2000a:17). Furthermore, social exclusion is sometimes constructed as the opposite of 'social capital' (Bessant *et al.* 2006:143; Coleman 1994; Latham 1998; Leigh 2001; McDonald and Marston 2002; Putnam 2000). Hence 'new communitarian' approaches, devolution of decision-making to local level, and the cultivation of 'social networks' have also become distinctive forms of operational focus (Burchardt *et al.* 2002:4; Giddens 1998:110)¹⁸¹.

4.2.6 Causation Issues

Causation is a recurring theme within the literature (Atkinson 1998; Burchardt *et al.* 2002; Byrne 1999; Percy-Smith 2000a; Silver 1994). Silver, alluding to the Weberian understanding of social closure, notes that the 'relationship between the included and the excluded ... may derive from social action, from the activity of excluding, thereby calling attention to the actors responsible' (1994:544). Atkinson highlights the agency of the excluded themselves as well as other excluding entities:

Exclusion implies an act, with an agent or agents. People may exclude themselves in that they drop out of the market economy; or they may be excluded by the decisions of banks who do not give credit, or insurance companies who will not provide cover. People may refuse jobs preferring to live on benefit; or they may be excluded from work by the actions of other workers, unions, employers or government (Atkinson 1998:14).

¹⁸¹

In the Australian context, however, Arthurson questions the efficacy of developments in housing policy which aim to broaden the socio-economic mix in regenerated housing estate communities. Empirical research has shown that 'implementing large-scale changes to social mix rather than promoting social integration could easily become strategies to move tenants around and render them less visible, as a consequence making the problems they experience of poverty and unemployment easier to ignore' (2002:258).

Views about who the actors are obviously will vary according to perspective. Feeding into this debate are issues associated with 'voluntary' and 'involuntary' forms of social exclusion, and the impact of individual agency (Atkinson 1998; Barry 2002:15). A decision to opt in or opt out of the mainstream may be technically 'voluntary', but arise because the person's (or group's) own agency or actual freedom of choice has been compromised in some way beyond their comprehension. This gives policy makers concerned with social justice the scope to seek solutions that go beyond the individual:

... in terms of failure to achieve the status of inclusion, we may be concerned not just with a person's situation, but also the extent to which he or she is responsible. Unemployed people are excluded because they are powerless to change their own lives (Atkinson 1998:14, drawing on Sen 1985 and 1992).

On this basis, it can be seen that social exclusion can be embraced as a concept with positive potential, allowing 'for policy responses which seek to change institutions and institutional processes rather than *solely* seeking to change socially excluded individuals, groups and communities' (Percy-Smith 2000a, added emphasis). For Byrne (1999:1), the structure-agency focus of social exclusion takes the onus away from the individual, rebutting arguments pushed by political conservatives that the poor are an 'underclass [whose] miserable conditions are self-induced'. Paradoxically, researchers from Australia's influential right-wing think-tank the Centre for Independent Studies (CIS) also subscribe to this interpretation (Saunders and Tsumori 2002). However, for them, the potential of 'social exclusion' to release the poor from culpability renders it a 'poor concept':

A new concept, 'social exclusion', is displacing an older and more familiar one – the idea of 'poverty'. The term 'social exclusion' can mean almost anything and can be applied to almost anybody and unlike the word 'poverty', it always implies causation. Identify somebody as 'socially excluded' and you fix in advance the presumption that they are not to be held responsible for their condition. Exclusion is something that *happens* to people - it signifies victimhood in a way that mere 'poverty' does not - and this means it is somebody else's fault. This is a language which

apportions 'blame' and 'guilt' to justify redistributing people's money (Saunders and Tsumori 2002:32, original emphasis).

This is a predictably political response from a neoliberal think-tank which was very influential with the Howard Government. As the article reveals, the CIS has been pro-active in constructing poverty as an individual deficit. A long-time campaigner against 'nanny state' redistribution, it has clearly assumed social exclusion to be a concept owned by the political left. However, this passage also shows how the term social exclusion can be so easily criticised by detractors on the basis of its imprecision and chameleon character.

Even though, for some, social exclusion is conceptually useful in highlighting structural causes, it is not difficult to see how a focus on the extent of individual responsibility is problematic (Atkinson 1998:14). It is a two-edged sword that could also champion the interests of politically conservative 'underclass' protagonists and proponents of paternalistic policy responses (Davies 2005:5 citing Murray 1990; Levitas 1998; Martin S 2004). Percy-Smith, addressing issues about the political agency of the excluded, pertinently notes that 'many [social exclusion] policy interventions include an element of compulsion or coercion and are reflective of a particular view of what constitutes an acceptable lifestyle' (Percy-Smith 2000b:162; also Levitas 1998). Some scholars are understandably wary that 'social exclusion' lends itself too readily to a neoconservative position¹⁸².

Moral underclass theories are generally given intellectual justification by reference to the work of US academic Lawrence Mead and his relatively more hard-line contemporary, Charles Murray (Byrne 1999; Martin, S 2004)¹⁸³. Both implicate individual dysfunction and a culture of welfare dependency. For Mead the passive welfare state has produced the 'helpless victim' through a culture of dependency which encourages moral laxity and demotivation. Mead prescribes 'new paternalist' remedies in which government enforces labour market attachment

¹⁸² This view was doubtless given momentum by British Government rhetoric which, in New Labour's first days of office, openly equated the two concepts (Mandelson 1997:1).

¹⁸³ See Byrne for 'race'-based elements associated with Murray's work (Byrne 1999:20.)

to cultivate personal responsibility. For Murray, on the other hand, the excluded are deviant opportunists who deliberately rot the welfare system (Martin S 2004); Murray's prescription is to toss the baby out with the bathwater via the ultimate dismantling of the 'nanny state' (Windybank 2001). New paternalism provides justification for rigorous activity-testing and surveillance of welfare recipients, as well as punitive measures for non-compliance, including withdrawal of income support. Several Australian research studies suggest that that these sorts of coercive 'new paternalist' policies are based on unsound premises about individual behaviour, about the philosophical basis of the liberal social contract (Kinnear 2000; Kinnear 2002; Macintyre 1999; Martin S 2004; Yeatman 2000; Ziguras, Dufty and Considine 2003), about their capacity to achieve inclusion objectives, and even to contain public expenditure on social security (Ziguras 2003).

Martin (following Veit-Wilson 1998) advocates for the distinction between 'weak' versions of social exclusion (in which the 'underclass' are either the aforesaid incapable victims or free-riding deviants) and a 'strong' or social democratic version which, particularly through a focus on unequal distribution of power across the social structure, takes careful account of constraints or influences on the choices of individuals in fulfilling their potential (Martin S 2004:88 citing Byrne 2002:4). It has been similarly argued in the Third Way context that Giddens' schema for the 'renewal of social democracy' overlooks the extent to which external factors compromise individuals' choices in the execution of their citizenship roles and responsibilities (Fudge and Williams 2006, citing Giddens 1998)¹⁸⁴.

4.2.7 Institutional Processes and Institutionalised Outcomes

The 'dynamic process' of social exclusion often has structural outcomes. Silver stresses that the excluding process may lead to an excluded 'identity or condition' which can become institutionalised. This is evidenced when closure is 'repeatedly confirmed through social relations and practices' that evolve to enable more privileged groups to close ranks on outsider

¹⁸⁴ Welfare 'reform' policies introduced by the Liberal-National Coalition government in Australia have come under fire for very similar reasons (Kinnear 2002; Martin, S 2004; Ziguras 2003).

challenge. Boundaries remain impermeable regardless of 'turnover' amongst the individuals affected (1994:545). Long-term unemployment can illustrate this point well: despite some people eventually accessing work, the economic environment may be such that the *margin* of long-term unemployment, characterised by the same disadvantaged individuals and groups, is maintained at a static or even increased level (Chapman and Kapuscinski 2000). The implication here is that some, or indeed several forms of discrimination, may interact to compound personal disadvantage. As suggested by the work of Burchardt *et al.* (2002), social exclusion causal linkages intersect on multiple institutional levels. How these relate to each other has important policy implications. Vleminckx and Berghman suggest that:

Social inclusion strategies should ... have an eye for how different institutions and processes are interconnected. Institutional interactions mutually undermine participation in economic and social life with effects of one institution mutually reinforcing the effects of another... [S]ocial inclusion policies should also be aimed at influencing the relationship between macro-policies and individual outcomes (Vleminckx and Berghman 2001:31).

If policy responses are to achieve inclusive outcomes, knowledge about these connections is critical. Thus in assessing the drivers of local social exclusion problems, it is important to understand institutional impacts at the national level, where macro-level policies affect the whole political economy.

The desirability of institutional coherence also links back to Sen's (2000:15) observation about *active* and *passive* forms of exclusion, that is, whether exclusion is brought about as an intended or unintended consequence of policy determinations – or indeed, as a result of policy indifference. The 'excluded' are not a homogeneous category (Burchardt *et al.* 2002), so there are considerable challenges in eliciting, with respect to individuals, what the barriers to inclusion actually are. Arthurson and Jacobs argue, for this reason, that, as a 'shorthand' for an arbitrarily chosen range of processes, many of which may not even be connected, the social exclusion policy rubric has some serious shortcomings:

Its limitations are most noticeable when the analysis is outcome focused, looking at the results of the processes, such as unemployment, without delving in any detailed way into dynamic processes and their interplay and how the conditions came about. For instance, implementing policies to move single parents from welfare to work are unlikely to succeed without attempting to understand how the outcome of unemployment came about. Was it through lack of skills, motivation, confidence, or difficulty finding childcare? (Arthurson and Jacobs 2003:9).

This begs the question as to how the disparate circumstances and difficulties experienced at an individual level, and as a direct result of macro-level policies, are brought to the notice of the policy-making community and addressed within an institutional framework. Percy-Smith has highlighted in the UK context that 'while the socially excluded are increasingly the focus for policy interventions, they are at the same time denied an effective political voice in the development of those policy interventions' (Percy-Smith 2000b:162). This point was indeed raised by people at the community level in respect of the South Australian Social Inclusion Initiative, as discussed in Chapter 2.

So, in summary, the key characteristics of social exclusion that emerge from the literature are its relational nature which directs a focus onto what is required for normal social and economic participation; its multifaceted causes and effects which take account of influences on a range of levels from global to individual; and its inherent dynamism which acknowledges impacts at points in time across the life cycle and the effects of past, present and future events. It has been noted that different aspects of social exclusion can be mutually reinforcing, and their effects can be geographically concentrated. Social exclusion is both an excluding process, and an excluded outcome which can become institutionalised over time. Thus institutional connections and dynamics have important analytical implications.

While progressive theorists welcome the concept because it revitalises structure-agency interrelationships to explain and address exclusion, others have been disturbed by the prevalence of 'underclass' positions within the debate and in policy application. The relationship between poverty and social exclusion is not well articulated, and some scholars highlight

conceptual, definitional and analytical problems. Atkinson, for example, notes the widespread tendency for 'social exclusion' and 'poverty' to be used interchangeably when, in his view, they are clearly not the same (Atkinson 1998), and Sen too cautions against indiscriminate use of the term to explain *any* form of deprivation because lack of analytical rigour may undermine its potential as a progressive concept (Sen 2000). Conceptual and analytical challenges nonetheless arise because the list of things people can be excluded from is not finite; because national priorities tend to differ; because the research focus has been constrained by limited data availability, because there is no consensus on what the important aspects of social exclusion are, and because research frameworks are often incompatible (Arthurson and Jacobs 2003). While some welcome its political and operational expedience, others argue that it fails to illuminate structural aspects of poverty and inequality. Furthermore, the tendency to focus on extreme problems is seen from some perspectives to deflect attention from poverty and inequality as important issues *per se*. Finally, it has been suggested that the impact of social exclusion policies in the UK has been patchy essentially because the approach lacks adequate resources as well as an overarching 'poverty proofing' policy framework (perhaps understandably, considering the complexity). In consequence, in respect of the UK, inequality has widened and some problems have worsened (Utting 2005). Silver's (1994) analysis, which follows, begins to clarify why discourses of social exclusion have become more prevalent in the contemporary era.

4.3 Ideological Contexts: Silver's 'Three Paradigms'

As an abstract sociological concept social exclusion signifies, in Silver's words, 'a rupturing of the social bond' between individuals and society (2006:4411). As a political discourse and social policy concept, this meaning emerged at a particular moment in history- which serves as a useful starting point to unravel further some of the complexities of social exclusion. Hilary Silver's (1994) comprehensive seminal treatise on social exclusion reveals broad and deep insights that have informed much of the later literature. Accordingly, this work figures prominently in the following discussion.

4.3.1 Origins of Social Exclusion

In modern usage, the term 'social exclusion' was coined in France during the late 1960s by socialist politician, René Lenoir¹⁸⁵, in reference to people not covered by the social security umbrella. Social insurance was available only to those who were attached to the labour market, in other words, 'those who were temporarily without work, or those who were legally married to someone in paid work' (Peace 2001). While many of these people may well have been poor, the term 'poverty' had English connotations of patronisation, denigration and stigma, as well as unfortunate reminders of France's own imperial past. The 'excluded' were an eclectic mix:

... the mentally and the physically handicapped, suicidal people, aged invalids, abused children, drug addicts, delinquents, single parents, multi-problem households [affected by a coinciding range of problems at any given time], marginal, asocial persons, and other 'social misfits' (Silver 1994:532).

After the 1970s many of these categories had fallen off the list as a result of social policies introduced by the French Government to assist the people affected. By the 1980s, the term was being used to refer to 'the ones that economic growth forgot' (Silver 1994:533 quoting Donzelot and Roman 1991). This usage conveyed that the benefits of recovery from the economic crisis which manifested in the early 1970s were distributed far from evenly. The concept of 'exclusion' gathered labour market connotations in the face of rising and increasingly entrenched unemployment (initially affecting young people in particular). In consequence, 'exclusion' became associated with the impact that lack of work opportunity, resulting from economic recession, had on the social fabric: 'family instability, single-member households, social isolation, and the decline of class solidarity based on unions, the labour market, and the working-class neighbourhood and social networks' (Silver 1994:533). The persistence of these phenomena, resulting in widening inequalities, challenged the culture of solidarity and social cohesion that were inherent in the French republican tradition. The official resolution was to be found in 'fostering integration'. This could not be achieved by simply connecting people with the

¹⁸⁵ René Lenoir was at the time Secretary of State for Social Action within the Chirac Government (Burchardt *et al.* 2002; Silver and Wilkinson 1995; Vleminckx and Berghman 2001).

labour market, the traditional pathway to security, but by government simultaneously addressing a broader mix of social issues threatening to divide French civil society (1994:534-5). There was recognition that the rise of self-serving 'individualism' demanded a more-committed form of state intervention than in the post-war era:

...preventing exclusion requires a conception of social justice different from the one underlying the postwar social consensus which simply insured the population against predictable risks. The welfare state must bind itself to the ethical and cultural values that define citizenship not only in the form of rights, but as a particular relation to 'the other'. A more personalized, participatory welfare state should rest on new principles of social cohesion, sharing and integration (Silver 1994:533).

French concerns about social exclusion and its effect on social cohesion increasingly spread throughout other countries in Europe, particularly through the institutions of the European Union (Burchardt *et al.* 2002; de Haan 1999; Levitas 1998; Percy-Smith 2000b; Vleminckx and Berghman 2001). By the late 1980s addressing social exclusion within the newly-permeable national borders of the EU bloc had become one of the key objectives of the European Commission in a bid to avert a 'beggar-thy-neighbour' approach to national economic competitiveness through social trade-offs (Mayes 2001:3; Percy-Smith 2000a). Social exclusion gained legitimacy as a social protocol during Maastricht Treaty negotiations, was ratified in the Treaty of Amsterdam (Vleminckx and Berghman 2001)¹⁸⁶, and funding was accordingly made available to activate what were initially conceived of as 'anti-poverty' type programs (de Haan 1999).

Silver observes that the emergence of the social exclusion concept signifies massive social disruption – a paradigm shift that equates in magnitude to the impact of the industrial revolution. The social and economic upheavals many would attribute to global restructuring have resulted in entrenched unemployment, rising levels of inequality within and between nations, and

¹⁸⁶ An earlier proposal to include it in the Maastricht Treaty in 1992 had been opposed by the UK (Vleminckx and Berghman 2001:29), then under Conservative rule.

increasing numbers of people lacking access to any form of social security or other assistance. Norms and givens generally associated with post-war welfare state protections have come under challenge (see also Bessis 1995; Vleminckx and Berghman 2001). While global in scope, the manifestations of this shift have reverberated locally. Social exclusion has come to be a culturally-embedded concept whose discursive import will change according to national appropriation. Local usage reflects distinctive national discourses forged by the predominant intellectual and ideological perspectives that have shaped national ideals and will continue to shape national histories through the contest of conflicting ideas. Because the term 'social exclusion' has come to be empirically applied in a vast number of different and nuanced ways, it is for Silver heuristically useful 'as a window through which to view political cultures' (Silver 1994:536). Reminding us that concepts like 'poverty' emerged in response to the social and economic disruptions of the past, she analyses the significance of 'social exclusion' as a conceptually new direction in the context of contemporary developments.

4.3.2 Three Paradigms of Social Exclusion: *Solidarity, Specialization and Monopoly*

Three ideological paradigms, or frameworks of connected ideas, have been devised by Silver to facilitate the interpretive process. Constructed from mainstream sociological themes, the three paradigms are ways of reading the world and exploring broader issues rather than actual 'organic approaches to social integration' (Silver 1994:45). Moreover, they do not align with particular welfare state models – those ideal-types introduced by Esping-Andersen, for example (1994:545-6). Neither do they describe distinctive national approaches to inclusion management. Ruth Levitas, an early interrogator of the British approach, found elements of all three paradigms within New Labour discourses on social exclusion (Levitas 1998)¹⁸⁷. Silver's dissertation reveals how readily 'social exclusion' becomes grounded in conflicting values and ideas that can be linked to political ideologies and to different theories within the social sciences. The three paradigms, *solidarity*, *specialization* and *monopoly*, illustrate well the clash of ideas competing for supremacy as national economies become more globally enmeshed.

¹⁸⁷ Levitas (1998) nonetheless disclosed that the policy thrust was essentially defined by 'moral underclass' or individual deficits model, which aligns specifically with one of the paradigms which are the subject of discussion.

a) *Solidarity*

In pristine form, social exclusion is nested within the *solidarity* paradigm. As noted above, its meaning is indebted to the French republican tradition, which positions the state as the custodian of social solidarity and the embodiment of the collective will of the people. This form of 'social contract' (drawing upon the intellectual contributions of Rousseau and Durkheim) was a legacy of the Revolution, enacting the values of *liberté, égalité, and fraternité*, which came to define the post-revolutionary regime:

In revolutionary rhetoric, equality meant that the Republic must promise citizens subsistence or assure them a right to work. In return citizens have a duty to work and participate in public life (Silver 1994:537).

In elaboration of this idea, Silver goes on to explain (citing Rosanvallon 1992) that the 'collective will', embracing a communitarian ethos, imposed upon French citizens an obligation to the whole that took precedence over the rights of the individual: 'individuals are less bearers of rights than participants in a communal civil life, a public life of fraternity'. Interest groups, because of their potential to effect social closure, were therefore tightly regulated so that the state could secure the freedom of *all* individuals within the public sphere (1994:538).

French 'insertion' approaches to social integration included the provision of a minimum income in return for the recipient's contractual commitment to undertake some form of agreed activity, 'be it a subsidized job, training, community activity, or a personal project that enhances the ability to form social relationships and function in society' (1994:551). The social and community aspects of reintegration were considered no less important than the individual's economic contribution. Accordingly, public institutions have traditionally been of prime importance in securing citizenship integration and preserving social bonds. Silver explains that these ideas can be linked in more recent times to the theory of 'flexible specialization'¹⁸⁸, a school of political economy thought which draws on a pre-industrial tradition of craft guilds and broader familial relationships of trust and cooperation that 'restricted the effects of competition' for the benefit of

¹⁸⁸ See Piore and Sabel (1984).

insiders. Thus the social and economic interests of the internal community were preserved, and access to public resources closed off to 'outsiders' (1994:550).

Within the variants of this social exclusion prototype, ideas such as social integration, mutual or reciprocal obligation, communitarianism, social bonds, social networks and social capital, and even the political invocation of 'values' rhetoric (1994:533) have been adapted to correspond with pre-existing traditions elsewhere.

b) Specialization

In the Anglo setting, social exclusion sits within Silver's *specialization* paradigm, influenced by a philosophy of utilitarian liberalism, individual difference, and market contractualism (Silver 1994:539). This links closely with Britain's cultural concept of poverty. De Haan explains:

In Britain, poverty has been a central concept at least since the Poor Law. Since Hume and Smith, and in reaction to mercantilist thought in which poverty was seen as necessary for national development, economic growth has been seen as the remedy for poverty. An individualistic approach has been central: the market consists of free individuals entering voluntarily into contracts, and poverty is therefore an individual problem (de Haan 2001:29).

The abolition of feudal paternalism, or the end of slavery in the United States, of course, did not guarantee 'inclusion' because rights are not automatically derived from being 'free' to labour. As the work of Polanyi reveals, rights become institutionalised as a result of social agency (Polanyi 1944). This paradigm is termed *specialization* because of its links with division of labour to effect economies of scale. It has been observed by others that occupational segmentation and sectoral changes in the labour market are increasingly responsible for wide disparities in earnings and the growth of working poverty. This polarising trend, which tends to arise from class-based education and skills disparities, is prevalent particularly in the United States economy but has now emerged elsewhere (Zappala, Green and Parker 2000:8, citing Galbraith 1998 and Thurow 1999 with regard to the US; see also Byrne 1999; Jamrozik 2005). In its liberal iteration, exclusion is associated with discrimination, social stratification (linked to market

exchange and liberal institutions), and an 'underclass' pathology in which 'cross-cutting or cumulative personal characteristics' are said to lead to isolation from the mainstream (Silver 1994:539). Quoting Silver:

Specialization protects liberties and may be efficient, as long as excluded individuals have the right to move across boundaries. Individual freedom of choice based on diverse personal values and psychological motives for engaging in social relations should give rise to cross-cutting group affiliations and loyalties contributing to the integration of society. To the extent that group boundaries impede individual freedom to participate in social exchanges, exclusion is a form of 'discrimination'. However, group and market competition and the liberal State's protection of individual rights impede the operation of this form of exclusion (Silver 1994:539).

In an ideal world markets are assumed to work most efficiently (and in the interests of integrated citizenship) when individuals are free to aspire, and their right to compete for the acquisition of wealth and property is not constrained by government regulation. So, it follows that *specialization* is underpinned by the dicta of neoclassical economics, the assumption of 'rational economic man', and its corollary in the framing of poverty as choice. Silver cautions that:

Exclusion should not be confused with social differentiation *per se*. ... Exclusion may be based on virtually any social difference, but the extent to which differences produce exclusion depends on such issues as the permeability of boundaries, the extent to which membership is freely chosen and whether ... distinctions have any social benefits (Silver 1994).

In clarification, distinctions such as 'race', gender, ethnicity and so on, are not necessarily markers of exclusion by themselves; they are exclusionary only insofar as they are *used as categories* by which to rationalise unequal access and perpetuate inequality on a systematic basis. Asylum seekers are a relatively recent example reported in research conducted by the Centre for Analysis of Social Exclusion in the UK (Joseph Rowntree Foundation 2005).

The persistence of social exclusion, for Bessis, challenges the fundamental tenets of neoclassical economic theory and its faith in the 'trickle down effect' (1995). In a compelling European report noting the perverse effects of neoliberal globalisation, she observes that:

... exclusion and poverty have reached such high levels throughout the world that they can no longer be considered as simply accidental or residual phenomena. On the contrary, they appear more and more to be a consequence of the manner in which the economic and political structure of the world currently functions. Contemporary reality shows that development involves more than simple economic growth, however necessary that may be, and that growth on its own cannot cure the planet of the many ills it suffers (Bessis 1995: Online).

In other words, on the evidence of real events, social exclusion is revealed to be a systemic failure which can be attributed to *laissez-faire* fundamentalism; it cannot be dismissed as a temporary aberration, an idiosyncratic externality, or the moral shortcomings of a pathological 'underclass'. The acceptance that unfettered market forces would systematically produce poverty and inequality, as Burden explains, was the rationale for strong regulatory controls on capitalism during the post-war years (Burden 2000). Twelve years after this report, the entrenchment of poverty and inequality in the west is a depressing epilogue to the report's findings.

The language of social exclusion was adopted in Britain by a Conservative government who, denying the existence of poverty, conceded 'social exclusion' in order to receive EU structural funds for 'employability' programs (Atkinson 1998; Burchardt *et al.* 2002; Percy-Smith 2000a). This dovetailed neatly with Conservative ideology which typically portrays poverty as absolute (that is, below a subsistence line). Taking this position legitimates minimal outlays on support for the poor, commonly accompanied by the disciplinary effects of forced employment (Burden 2000:44; Levitas 1998). The social exclusion concept remained obscure within British policy debates during the Conservative years, but gathered momentum as a research priority for the British Economic and Social Science Research Council (ESRC) from 1992. However, within that context the 'French meaning of the term', that is, the statist imperative to foster social solidarity,

tended to be lost in translation (de Haan 1999:2). It entered Blair's lexicon thus deprived of the 'Continental' values centring on 'social protection' of the citizen (Atkinson 1998:9). It also came with a good deal of Conservative ideological baggage (Fairclough 2000; Levitas 1998). Consequently, even employment rights enshrined in EU legal arrangements (arguably reflective of the *solidarity* paradigm apropos the state's obligation to institutionally dignify citizenship rights) have been resisted in British legislation on the grounds that they might undermine competition (Green and Wilson 2000:67; Smith and Morton 2006:405).

Finally, Silver makes the point that Christian thought takes a particular perspective on exclusion in that it endorses, even preserves, 'differentials between social classes, occupations and status groups as well as to support the traditional family' (1994:547, citing Esping-Anderson 1991). Furthermore, Catholic social philosophy tends to oppose state intervention on the basis that:

[I]t is an injustice, a grave evil, and a disturbance of right order for a larger and higher organization to arrogate to itself functions which can be performed efficiently by smaller and lower bodies (Silver 1994, quoting Pius XI, *Quadragesimo Anno*, 1931).

From this perspective, the necessity for class conflict is also denied because it is deemed contrary to the ideal of 'harmonious community'. This paradigm, then, tends to preserve social difference but recognise a Christian obligation to those less well-off, or those who are 'outside' the organic society. However, it is 'less cognizant of gender and economic inequality as causes of exclusion' (1994:547).

c) Monopoly

Within the monopoly paradigm, closely associated with the European Left, the social democratic tradition, and the intellectual contributions of Weber and Marx, exclusion is considered an outcome of institutionalised power hierarchies. As Silver explains it:

In this social democratic or conflict theory, exclusion arises from the interplay of class, status, and political power and serves the interests of the included. Social 'closure' is achieved when

institutions and cultural distinctions not only create boundaries that keep others out against their will, but are also used to perpetuate inequality. Those within delimited social entities enjoy a monopoly over scarce resources. The monopoly creates a bond of common interest between otherwise unequal insiders. The excluded are therefore simultaneously outsiders and dominated (Silver 1994:543).

In this way, the *monopoly* paradigm introduces a sense that there is a power dimension involved. Exclusionary barriers may be constructed 'within or between nation-states, localities, firms, or social groups' to maintain insider supremacy (Silver 1994:543). Division of labour, for instance, may be discriminatory and result in occupational segmentation that advantages certain individuals (eg 'white' Anglo males) and disadvantages others (eg women, certain ethnic groups, people with disabilities). Such arrangements were an institutional reality during the post-war period of Fordism¹⁸⁹, producing what some feminist scholars have justifiably described as a 'hierarchy of oppression' (Bakshi, Goodwin, Painter and Southern 1995:1539; also Williams 1994). These sanctioned exceptions were of critical importance, as the stability of the post-war welfare state relied heavily on the 'male breadwinner' norm. In general however, the excesses of liberal ideology and inequalities based on class-based difference were tempered during the post-war era by the application of Keynesian economic policies and a bipartisan political commitment along social democratic lines (Burden 2000). As is well known, Keynesian ideas lost favour in response to the economic crises that brought this era to a close (Harvey 1989; Jessop 2002b; 2003a; Peck and Tickell 2002:388). With neoliberalism in the ascendant, the cultural mores emanating from Britain's Poor Law tradition¹⁹⁰ also enjoyed a Tory-led revival.

In terms of the social sciences, the *monopoly* paradigm envisages 'economic exclusion' through a political economy lens known as regulation theory¹⁹¹. Aspects of regulation theory and 'flexible

¹⁸⁹ The Fordist era is discussed in Chapter 5.

¹⁹⁰ See Dean's historical analysis of the Poor Laws (Dean 1991), which draws on Polanyi's account of the demise of the Speenhamland system. The Poor Laws of 1795, providing a right to what later would have been called a 'living wage', were repealed to force rural workers into the industrial centres as factory labour (Polanyi 1944:77-85).

¹⁹¹ Regulation theory is discussed in Chapter 5.

specialization' cut across their respective paradigm boundaries because of a shared intellectual heritage; both theories are premised on an integral social and economic system, and both critique neoclassical economic 'assumptions of self-regulating markets' (Silver 1994:550). In this way, they acknowledge the pivotal role of legal and political institutions and broader societal relationships in stabilising economic performance and in stemming social inequalities. They are nonetheless discrete schools of political economy. Silver argues that, because regulation theory is more firmly anchored in Marxist thought, it sits appropriately in the *monopoly* paradigm where exclusion is characteristically seen as an instrument of 'social control' or an institutional constraint on competition which reinforces power structures (Silver 1994:550).

So, in summary, when appropriated by and grounded in different ideological traditions, causative explanations for social exclusion vary. The concept can therefore be utilised in support of either politically conservative or politically progressive arguments about policy options. The paradigms are ideal-types and in practice societies are less likely to be true to type than reflecting a broader compass of competing ideas. Within the social sciences, neoclassical economics has been influential in legitimating liberal policy regimes that align with the Anglo-type *specialization* framework. These graft comfortably onto Conservative theories of poverty which attribute social exclusion to individual behaviour, and on to aspects of Christian social thought which tends, to be disinterested in social difference and structural aspects of inequality. Political economy explanations, alternatively, attribute exclusion to structural aspects of capitalism. Within the *solidarity* paradigm social inclusion is reliant on state-sponsored institutions that foster social bonds and secure citizenship rights; within the *monopoly* paradigm, exclusion is used as an instrument of control, and arises as the outcome of class-based dynamics which alter power structures within society. From Silver's perspective, social exclusion as a concept remains contested ground and has regressive or progressive potential according to ownership. Having 'many meanings, it can also serve a variety of political purposes' (Silver 1994:572).

4.4 Social Exclusion and the Third Way

From Silver's perspective, the British approach to social exclusion aligns primarily with the *specialization* paradigm, hence it differs from the European approach which, rather than focusing on individual rationality, places more emphasis on the state's responsibility to restore social bonds. The Blair Government's Social Exclusion Unit, initially attached to the Prime Minister's own portfolio, has been well promoted as the social policy flagship of New Labour's Third Way political program. However, Blair's approach to social exclusion, as touched on above, was influenced by earlier Conservative ideas rather than by the relatively more progressive *solidarity* paradigm. As the Rann Labor approach is essentially based on the British model, the following sections examine Blair's Third Way and some of the criticisms of 'social exclusion' that have been advanced with regard to its application in the British context.

4.4.1 Giddens' Third Way Schema

Sociologist Anthony Giddens, who is credited with the intellectual foundation of Blair's Third Way philosophy, presents the project as a critique of neoliberalism and 'the renewal of social democracy' (Giddens 1998). Neoliberalism, according to Giddens, is internally incoherent. He contends that its fixed and determined conservative values are incompatible with the uncontained and unpredictable forces of market rule. Even so, as Eastern Europe's socialist experiment had been discredited, the 'old left' could no longer offer an effective alternative. The 'popular appeal' of Thatcher, and her successful cultivation of individualistic values demanded that the 'old left' reposition itself to accommodate 'greater ... individual freedom and personal choice' (Giddens 1998:17).

Hence the Third Way, in Britain, is the outcome of a considered renovation of traditional Labour philosophy which commenced in earnest at the Labour Party's 1987 Annual Conference. 'New Labour' emerged from hibernation having shrugged off any vestiges of socialist tradition. The party's commitment to publicly-owned industry, the close alliance with unions, and Keynesian policy principles were all abandoned in the quest for modernisation and broader electoral appeal. New Labour's imperative was to court the changing allegiances of the electorate.

Popular attitudinal shifts, Giddens notes, had occurred as a result of generational changes, the decline of the 'blue collar' class and an increasing indifference to politics—evidenced by a growing cohort of non-voters (Giddens 1998:16-17). Third Way politics, therefore, attempted to forge 'middle ground' consensus amongst an electorate claimed no longer to be divided along traditional class lines. Giddens asserts that 'new individualism' can harmoniously co-exist with a more robust democratic form, based on human capability and the communitarian values of mutuality and reciprocity (Giddens 1998)¹⁹². These values, of course, run parallel to the *solidarity* paradigm but have subtle, through critical, differences.

Some have tended to regard the Third Way as a work in progress (Jayasuriya 2000; White 1998). This was the position taken initially by both Blair himself and by Giddens (Blair 1998) (Finlayson 1999; Giddens 1998). New Labour was concerned little with tradition, espousing a pragmatic confidence that 'what matters is what works' (Blair 1998:4). Others have not been so favourably disposed to what they see as policy 'on the run', essentially regarding the Third Way as a deliberate and well-spun mantle of ideology which fails to challenge the fundamental thinking behind neoliberalism. Most of this criticism is assigned to the Third Way's unequivocal acceptance of market principles (Dunlop 2002; Fairclough 2000; Freedon 1999; Hamilton 2001; Hinkson 1999; Scanlon 1999). Those who passionately view unfettered market processes and equitable social and economic outcomes as diametrically opposed objectives do not consider Third Way 'philosophy' to be merely political rhetoric; it more dangerously dismisses the possible progressive challenges to neoliberal hegemony (Davies 2005:8, citing Hay 1999:1). Many critics believe that, in the absence of any theoretical comprehension of contemporary capitalism, the Third Way is a little more than a vacuous ideology (Finlayson 1999; Hamilton 2001; Hinkson 1999; Scanlon 1999).

¹⁹² Closer to home, many of these ideas have been tabled for discussion within Australian Labor circles (Latham 1998; Latham 2000; Tanner 1999)¹⁹². It has even been suggested that Third Way ideas 'could equally, indeed, more accurately, describe the public stance of the [Australian] Coalition Government' as well as other conservative parties intent on 'shifting back from a more hard-line position as the damage inflicted by the decade of neo-liberal policies becomes a political liability' (Hamilton 2001:91-92). This perhaps reflects the extent to which party politics are assumed to have converged.

4.4.2 Politics of Consensus

Hamilton highlights how Third Way politicians tend to cultivate the impression of a confluence of interests amongst broader community constituencies whose objectives are diverse and conflictual. In his words:

In politics today it is *de rigueur* to claim that everyone will be a winner, and Third Way politicians have proven to be masters of conflict avoidance. It is naïve to expect that essential social changes will not involve often-titanic political struggles in which progress requires the defeat of entrenched forces. It remains true that while power is complex and multifaceted, the central locus of power in modern society lies in the business community, and especially those segments that created and prospered from the neoliberal policies of Thatcher and Reagan (Hamilton 2001:93).

The Third Way, then, embraces the notion of consensual, rather than adversarial politics (at least outside the parliamentary setting), and thus publicly rejects the idea that power differentials between class actors have a critical bearing on the distribution of social dividends. Third Way rhetoric concentrates its message by insisting that ‘we can have our cake and eat it’. The language consistently attempts to coax, comfort and convince by reconciling terms that are binary opposites (Fairclough 2000). These terms construct from the realms of the imagination a ‘common value base’ that is purportedly served by ‘the dynamic free-market economy’ (Davies 2005:9). Both the power of politics and the role of the bureaucracy are kept subliminal as ‘businesses, families, communities, voluntary associations– preferably anyone but the state – are entreated to set examples, take a lead, and stamp their authority on social conduct’ (Freeden 1999:45). Consequently new respect is accorded ‘cultural innovators’; ‘style-setters’, and ‘ethical guardians’ (1999:43) who relieve government’s traditional reliance on bureaucratic support.

Freeden classifies the ‘third way’ as ‘an amalgamation of social-democratic, conservative, and liberal principles ... packaged and distributed as a new “ideology” or political programme’ (Freeden 2003:95). Although the political rhetoric advocates a mixed economy, in reality the Third Way is biased in favour of the market. Citizenship rights are reinterpreted as privileges

contingent upon the individual's demonstration of 'responsibility' and 'participation'. Ostensibly a modernisation project and a political program appropriate to its post-industrial time, the Third Way nonetheless reaffirms an older tradition of 'family'. This again is a pragmatic stance, because 'family' must be forced to step in as welfare state protections give way to more commodified arrangements. Continual communication of these sorts of ideas to the public is relentless. In Freedden's words: 'This unstable mix may be ephemeral, but it is being kept together by elite governmental manipulation and publicity' (Freedden 2003:96).

4.4.3 Labour Market Integration

While the phenomenon of 'social exclusion' is characterised by many symptoms, paid work and human capital development have become the pre-eminent responses to social exclusion management in Britain (Atkinson 1998; Burden 2000; Levitas 1998; 1999; 2003; Percy-Smith 2000a). Mayes has observed that the labour market has also emerged as the 'social dimension' of European integration (Mayes 2001:4). Yet the problem is, as noted earlier, that the 'European social model ... arrived in the UK as a shadow of its original pretensions' (Smith and Morton 2006). Much of the early criticism of 'social exclusion' policy in Britain rested on the narrow reading of paid work (and a central focus on human capital development) as a one-size-fits-all remedy for 'welfare dependency', when material poverty was a pressing issue in itself. In terms of education outcomes alone, it was feared that this would place poor households at further risk (Lister 1998), and also entrench disadvantage amongst future generations (McKnight 2002). Early critics from the left were deeply concerned about the inadequacy of welfare benefits, which had fallen relative to average incomes, and the government's preoccupation with 'welfare dependency', even when the effects of coerced labour market participation could be devastating for certain categories of people, most notably sole mothers (Daly and Saraceno 2002; Levitas 1998; 1999; 2003; Lister 1998). New Labour's ideological commitment to a low tax regime and austerity budgets were viewed as constraining the resources required to retrench the increased poverty and inequality inherited from the Conservatives, or even to pursue promised social inclusion objectives (Levitas 1998; Lister 1998).

Economic growth, in Giddens' Third Way scenario, remains the primary means by which to generate private sector employment, and private sector employment only. He argues that:

There should be support for *entrepreneurial initiatives* concerned with small business startups and technological innovation. Many countries ... still place too much reliance upon ... the public sector, to produce employment. ... [W]ithout the new ideas guaranteed by entrepreneurship there is an absence of competition. Entrepreneurship is a direct source of jobs. It also drives technological development, and gives people opportunities for self-employment in times of transition (Giddens 1998, original emphasis).

Even though Giddens acknowledges that 'full employment', or even 'sufficient work' is 'unlikely' to emerge from entrepreneur development, or even from better education (Giddens 1998:126), he discourages state intervention to redistribute available work:

Is the 'active redistribution' of work possible without counterproductive consequences? Probably not in the form of limits to the working week fixed by government. The difficulties with such schemes are well known (Giddens 1998:126).

This suggests a highly competitive environment in which it is accepted that some people will always be disadvantaged. The concentration on employment and employability as a remedy to social exclusion has been roundly criticised as devaluing of unpaid work, gender-biased, and discriminatory (Atkinson 1998; Daly and Saraceno 2002; Levitas 1998; 1999; 2003). For Levitas (1999), this social exclusion approach *symbolises* a Durkheimian project that seeks social solidarity and social cohesion, however in practical terms must fail dismally because the insistence upon market activity exacerbates inequalities. In her words:

A discourse about social exclusion which focuses on integration through paid work tends to reduce the social to the economic, and simultaneously limits understanding of economic activity to market activity. If inclusion tends to shift the agenda away from equality, the focus on inclusion through paid works exacerbates this (Levitas 1999:26).

In elaborating this point, she highlights that the focus on exclusion obscures inequality between workers, fails to explain why people on pensions are subjected to poverty, does not acknowledge class and gender inequalities in the labour market, and masks sources of inequality that arise from ownership of production. Not participating in paid work is in Britain no longer an option, and because the burden of unpaid work falls primarily on women, 'it implies an increase in women's total workload' (Levitas 1998:26-27). Although agreeing with Levitas' assessment, Byrne believes that her observations miss the important 'rights-based' nature of Durkheimian integration that has been compromised by British social exclusion and labour market policies (Byrne 1999; see also Green and Wilson 2000:67; Smith and Morton 2006:405). Structural inequalities within society, then, have tended to *continue* to generate social polarisation and produce even more socially excluded individuals and groups (Bradshaw 2003:6; Utting 2005)¹⁹³.

4.4.4 The Inclusion/Exclusion Dichotomy

The *pursuit* of equality, or equal outcomes, has been an underlying philosophy of social democracy and the institutions of the welfare state (Burden 2000). From Silver's (1994) work discussed above, it can be seen that this principle informs the *monopoly* understanding of social exclusion as an outcome of capitalist processes. In the Third Way context, the 'old egalitarianism' has been supplanted by an 'inclusion/exclusion' paradox: 'The new politics defines equality as *inclusion* and *inequality* as exclusion' (Giddens 1998:102); Giddens takes the view that 'exclusion is not about gradations of inequality, but about mechanisms that act to detach groups of people from the social mainstream' (1998:102). He actively dismisses

¹⁹³

Bryson and Winter (2002) have drawn on Levitas' work to analyse the results of two empirical studies on unemployment and income support in Australia. These were conducted in a blue-collar working-class district in Melbourne - characterised by structural unemployment - in 1966 and 1991 respectively. The authors subscribe to Levitas' view, and that of other 'social exclusion' critics, that the concept of 'social exclusion' has limited capacity to direct a focus onto structural social issues. Although 'social exclusion' was not the terminology used throughout the period in question, the policy approaches to unemployment and the unemployed from the mid-1960s through to the contemporary 'mutual obligation' welfare regime could be readily interpreted through Levitas' analytical schema. Bryson and Winter found that Australian policy changes charted a SID, RED and MUD trajectory, and concluded that the 'approach resonates with the classic division between the deserving and the undeserving poor which has been part of an historic discourse of poverty which ... is essentially a discourse of subjection (Bryson and Winter 2002:172).

egalitarianism as an outmoded preoccupation of the 'old left' but at the same time advocates the forging of solidarity by appealing to a middle demographic:

In terms of social solidarity, the most important groups are not only the new corporate rich but also the members of the professional and moneyed middle class, since they are closest to the dividing lines which threaten to pull away from public space. Improving the quality of public education, sustaining a well-resourced health service, promoting safe public amenities, and controlling levels of crime are all relevant. ... Only a welfare system that benefits most of the population will generate a common morality of citizenship (Giddens 1998:102).

If the political imperative, as Giddens suggests, is to forge consensus by appealing to a middle electoral demographic, the problem worsens for the disadvantaged. It can be argued that many of the affluent and the aspirational are unlikely to countenance policies which lift the fortunes of the underprivileged at their expense. The middle vote bid is likely to result in a form of unequally distributed political disempowerment, disenfranchising those at the bottom. Barry elucidates this point:

... the surest way for a politician to maintain power in a democracy is to find some way of dividing the electorate into two unequally sized parts and identify with the majority. In the longer term this process is liable to become one of self-reinforcing antagonism that leads to resistance and to repression in response, and ultimately threatens the survival of democratic institutions. ... [T]he more attenuated the bonds of social solidarity become, the less inclusive the concerns of the median voter will be. ... To the extent that the median voter pays attention to those below the lower threshold of social exclusion it is liable to be in their capacity as threats to his or her prosperity and personal safety (Barry 2002:26).

In this way, the democratic process increasingly fails to protect those most in need (Percy-Smith 2000b). If high quality welfare services are not maintained, a drift to the market alternative is inevitable and public provision becomes the downgraded choice of last resort, ultimately available only to those who can demonstrate desperate need (Barry 2002; Burden 2000).

The inclusion/exclusion position has been rightly criticised as conceptually flawed in the sense that it falsely signifies a binary divide that does not reflect social complexity and structural inequalities. Levitas (1998) and others argue that this simplistic dualism casts a cloak of homogeneity over the upper echelons and the mainstream, marginalising and problematising the excluded 'other'. This reading of social exclusion, then, tends to extend asylum to the 'powerful social classes imposing unfair structures that benefit themselves and leave much of the populace poor' (Hamilton 2001:97); for similar arguments see also (Byrne 1999; Carmichael 2001; Daly and Saraceno 2002). Although the 'revolt of the elites' is recognised by Giddens as a social exclusion problem (Giddens 1998:103), it has certainly been off the policy radar in terms of Third Way approaches to tackling exclusion (Barry 2002; Burden 2000; Hinkson 1999; Levitas 1998).

4.4.5 Individual Opportunity

The word 'opportunity' looms large in Third Way rhetoric, because it is through the pursuit of equal opportunity that government acquits its responsibility to social inclusion. Third Way protagonists use social exclusion as a term 'to describe lack of opportunity for individuals to develop their potential' (Hamilton 2001)¹⁹⁴. Equality of 'opportunity', has replaced the traditional social democratic pursuit of equal outcomes. This idea, which can be linked to flawed neoclassical economics premises of *homo oeconomicus* individualism (and hence the *specialization* paradigm), has obvious political appeal when the contemporary public is purported (or more or less compelled by neoliberal policy decisions) to favour a low tax regime¹⁹⁵. However, Hamilton poses a pertinent question: if the problem is given closure with government providing 'opportunity' and social exclusion remains, what is the cause? From this position, 'moral underclass' explanations move conveniently into range. The denial of class advantage or acknowledgement of structural inequalities and unequal power distribution within

¹⁹⁴ Beyond Keynesianism, the restoration of management prerogative in the employment relationship has accompanied the assertion of 'individualized "opportunity rights" over social entitlements' (Peck and Tickell 2002:2; also Jessop 200b:260).

¹⁹⁵ Neoliberal globalisation discourses provide an 'alibi' for politicians against lobby groups' and the general electorate's desire for more spending (Conley 2004; Jessop 200b:146). Polling in Australia suggests electoral support for higher taxes if the trade-off is an improvement in services the electorate values, for example, health (Grant 2004).

Third Way philosophy thus profiles the market as a neutral arbiter of social justice (Hamilton 2001:97).

In this new inequality paradigm, opportunity and education have a natural affiliation. Education has become a central social policy objective of Third Way politicians for two main reasons: its obvious supply-side function in human capital development benefits both capital interests and national economic competition; furthermore, it also offers a life raft to the labour market, the preferred mode of inclusion. There is nothing inherently wrong with either of these things on the surface. Hamilton makes the link, for instance, between education levels and social mobility. Yet he sees the fervent pursuit of higher qualifications by individuals as driven by fear, a form of 'defensive expenditure' on credentials (Hamilton 2001:98). He argues, however (presumably in relation to public expenditure as well as personal investment), that education and skills are unlikely of themselves to bring about a more equal or socially-just environment (see also Byrne 1999:126-7). In the worst-case scenario, 'shifting the blame for failure onto the individuals who failed to take advantage of the educational opportunities on offer ... may erode the public commitment to greater equality and inclusion' (Hamilton 2001:98). A further predictable outcome in a fiercely competitive climate that rewards the privileged is a populist validation of 'moral underclass' theories, further eroding the collective ethos.

So, in summing up the Third Way approach to social exclusion, it is clear that the new rendering of 'inequality' as exclusion sits well with an ideologically-constructed and individualistic view of society. Yet forging middle ground political consensus implies marginalisation of excluded 'others'. Representing exclusion as a 'process' that detaches people from the mainstream takes no account of the fact that the process itself is practised, if the mainstream comprises middle and upper echelons, by members of that same middle group whose behaviour, like overall structural inequality, remains unproblematic because of electoral politics. Those on the lower strata thus feel the full brunt of state withdrawal from provision of welfare goods and services as the drift to market choice and 'user pays' services reflects new affluence and new social division based on capacity to pay. With declining tax-takes and redistribution avoided, wealth poles have

therefore moved further apart in Britain and many symptoms of 'social exclusion' have accordingly remained intractable. As Hamilton has asked, if increasing 'opportunity' has not solved the problem, what, then, is causing it? From this angle 'moral underclass' theories have much more substance, and are more likely to be embraced in attributing blame to individuals less competitive in education or the labour market. Although paid work has come to represent the primary and expected pathway to 'inclusion' in the British context, the resources to support this have been necessarily rationed because of commitment to neoliberal economic dicta. Further, the obsession with ending welfare dependency overlooks work availability or work quality as well as the valuable contribution that unpaid work, particularly that undertaken by women, makes to the social reproduction of labour and thus to the support of economic production.

Conclusion

This chapter has examined various ways in which social exclusion has been characterised. If the concept is to be used progressively, a number of challenges emerge for policy makers. Not least of these is how to define what qualifies as 'normal' participation and how to enact that vision so that interventions target structural and institutional problems rather than focusing on individual deficits and presuming that economic growth will automatically generate, and equitably distribute, the sort of work which will support social participation. It is interesting that, at the South Australian level, the social inclusion approach has been 'top down', leaving little obvious scope for devolved decision-making and input from people affected. This aligns with Percy-Smith's observation that the 'excluded' are increasingly the subject of policy but denied a voice in shaping policy interventions. Furthermore, it can be observed that, at least to some extent, the Initiative's narrow, targeted and pragmatic emphasis on specific outcomes marginalises the structural and institutional factors generating social disadvantage; it fails to acknowledge fully the forces operating to the detriment of 'inclusion'. Other aspects of the South Australian approach tend to confirm negative critiques directed at 'joined up' social exclusion strategies in Britain – for instance, the resource and 'cultural' problems associated with 'joined

up' working; the lack of an overarching 'poverty proofing' framework; and the fact that the focus on extreme issues diverts public attention from structural causes (most particularly, from the actions of powerful elites). Hence rising overall levels of poverty and inequality, as has been the case in Britain, may well persist and create greater potential for social instability locally.

An exploration of social exclusion's theoretical terrain via Silver's treatise has provided a more complex picture of the context in which the term gained notoriety across the political spectrum, and sparked interest within academic circles. First enunciated in France, social exclusion became attached to a particular set of cultural values emphasising, on the one hand, the responsibility of the individual to society, and on the other, the responsibility of the state to enact social policies to meet the needs of certain individuals and groups in a context of rising unemployment and social fracture. Anglicised as a 'rights and responsibilities' discourse, social exclusion deftly shifted the onus of responsibility from the state back to the individual, challenging the social democratic approaches to social cohesion that had been prevalent during the post-war years. It was noted also within this *specialization* paradigm that aspects of Christian social thought have a particular view on poverty and inequality that does not challenge social structures. This is an interesting point to contemplate in terms of Blair's Christian faith, the fact that Capps is said to be guided by the principles of Catholic social teaching, and the high profile of the Church in relation to both the British model and the South Australian Social Inclusion Initiative.

Although the Third Way has emerged at least in part from the tradition of social democracy, it has become evident that the reinterpretation of inequality as inequality of *opportunity* breaks with the social democratic tradition of applying redistributive policies to deal with structural deficiencies. This, as was seen in Chapter 3, appears to be the position taken by Rann Labor in South Australia, where reliance on economic growth and lifting individual capability form the main policy thrust towards the achievement of an inclusive society. Adopting a *monopoly* perspective on social exclusion, Chapter 5 focuses on the structural dimensions of capitalism to explore why this is an insufficient response to problems generated by free market thinking.

CHAPTER 5

A Political Economy of Social Exclusion: Marx, Polanyi, and Regulation Theory

The laws of a competitive society were put under the sanction of the jungle. The true significance of the tormenting problem of poverty now stood revealed: economic society was subjected to laws which were not human laws.

Karl Polanyi (1944:125)

In its diffuse, dispersed, technocratic, and institutionalized form, neoliberalism has spawned a free market in social regression, but simultaneously it is becoming vulnerable – from the inside as well as the outside – in wholly new ways.

Jamie Peck and Adam Tickell (2002:385)

5.1 Introduction

If it is accepted that neither socio-economic inequities nor social exclusion can be explained by deficits on the part of individuals, how and to what extent can alternative explanations illuminate why these problems, now conceptualised as ‘social exclusion’, have not only persisted but become more pronounced? Furthermore, why has the policy focus shifted away from the Keynesian welfare state’s concern with inequality or poverty and been replaced by discourses on ‘social exclusion’? It has been widely acknowledged, regardless of how the phenomenon of ‘social exclusion’ is conceptualised, that inequality has continued to increase over the last few decades (Argy 1998; Bessant *et al.* 2006:124; Bryan and Rafferty 1999; Conley 2004a; Giddens 1998; Jamrozik 2005; Mendes 2003b; Pusey 2003; Stilwell 2000)¹⁹⁶. This has been accompanied by a notable expansion in numbers of people experiencing forms of hardship usually associated with socio-economic disadvantage. Research has established that there is a

¹⁹⁶ Bessant *et al.* (2006:124) note that ‘during the last two decades income inequality has increased in most OECD countries’. Pusey (1999:20) suggests that, on some counts, the polarisation of income in Australia is third only to the United States and Britain.

relationship between the symptoms of social exclusion and inequality (Wilkinson 2005), and also that there is usually a strong correlation between poverty and social exclusion (Bradshaw *et al.* 2000; Hobcraft 2002).

As noted in the previous chapter, the labour market has become a paramount social exclusion concern. In the liberal tradition (or Silver's (1994) *specialization* paradigm) there is strong emphasis on ending 'welfare dependency' through labour market participation and this aligns with the liberal tradition in the treatment of poverty. From the neoclassical economics perspective, labour market exclusion is assumed to be an outcome of individual choice; that is, in the ideal world of neoclassical economic theory it is irrational for an individual not to accept employment at a market-clearing price. In Britain's Third Way context, the formal response to social exclusion has been the pursuit of economic growth through Schumpeterian¹⁹⁷ approaches and active labour market, or 'workfare', policies. Critics on the left, however, have advanced serious reservations about the capacity of such approaches to address social injustice, believing them to be premised on fallacious free market doctrine (Byrne 1999; Hamilton 2001; Hinkson 1999).

This chapter proceeds from Marx, whose foundational work establishes that the creation and recreation of poverty and inequality are intrinsic to the capitalist system. Polanyi's account of events associated with the development of a national market for labour, and the evolution of capitalist society, reveals some important parallels between the policies of that earlier era and the social exclusion, or inclusion, policies evident in the contemporary era of global capitalism. Polanyi's work illustrates that the liberal project to impose what he calls the 'stark utopia' of market rule must inevitably fail. Social forces consistently challenge capital's domination and exploitation, and this engenders a 'double movement' as periodic shifts in the power base become institutionally embedded, determining longer phases of capital stability. Regulation

¹⁹⁷ Neo-Schumpeterian theory (after economist Joseph Schumpeter who coined the term 'waves of creative destruction' in relation to phases of capitalist growth driven by innovation and entrepreneurship) is a post-Fordist rationale giving weight to the notion that growth regimes are in essence technologically-driven but require a more activity-defined role for the state in terms of sponsoring supply-side strategies and fostering technological diffusion (Amin 1994).

theory resonates with and builds upon Polanyi's 'double movement' thesis, and initially documented how Fordist institutions and Keynesian economic policies sustained the long boom of capital accumulation from around the end of the Second World War until the early 1970s. With some important notable exceptions, these policies served to contain socio-economic inequalities, within national boundaries, across the broader population. Regulation theory writers relate social exclusion discourses and policy approaches to the institutional breakdown of the Fordist industrial paradigm and the post-war's Keynesian welfare state. These analyses reveal that rising inequalities, at least in part, are directly attributable to the renaissance of *laissez-faire* approaches to economic management as capital has wrested back its power base. The chapter ends by drawing upon regulation theory concepts to suggest a framework through which to respond to the research hypothesis.

5.2 Beginning with Marx

Marxist theory posits that it is in the nature of capitalism as a system to produce poverty, in the form of labour surplus. As Marx reflects in the *Grundrisse*¹⁹⁸:

It is already contained in the concept of the *free labourer*, that he is a *pauper*: virtual pauper. According to his economic conditions he is merely a *living labour capacity*, hence equipped with the necessaries of life. Necessity on all sides, without the objectivities necessary to realize himself as labour capacity. If the capitalist has no use for his surplus labour, then the worker may not perform his necessary labour; not produce his necessaries. Then he cannot obtain them through exchange; rather, if he does obtain them, it is only because alms are thrown to him from revenue. He can live as a worker only in so far as he exchanges his labour capacity for that part of capital which forms the labour fund. This exchange is tied to conditions which are accidental *for him*, and indifferent to his *organic* presence. ... Since it is further the condition of production based on capital that he produces ever more surplus labour¹⁹⁹, it follows that ever more

¹⁹⁸ I acknowledge Mitchell Dean for drawing attention to this work in (Dean 1991).

¹⁹⁹ The term 'surplus labour' reflects the exploitative nature of capital's appropriation of labour for exchange value; that is 'necessary' labour provides for the labourer's subsistence whereas 'surplus' labour contributes to capital's profit margin (O'Brien and Penna 1998:53).

necessary labour is set free. Thus the chances of his pauperism increase (Marx 1973 [1857-61], original emphasis).

The capitalist's motive, then, is the pursuit of profit rather than the provision of the material means by which his or her employees can participate in society. In this same passage, Marx goes on to explain how poverty is *relative to a particular society*, a broader system supported by economic production, in which is determined the rules about how the whole population – labour and surplus population – is connected or otherwise:

To the development of surplus labour corresponds that of the surplus population. In different modes of social production there are different laws of the increase of population and of overpopulation; the latter identical with pauperism. These different laws can simply be reduced to the different modes of relating to the conditions of production, or, in respect to the living individual, the conditions of his reproduction as a member of society, since he labours and appropriates only in society. The dissolution of these relations in regard to the single individual, or to part of the population, places them outside the reproductive conditions of this specific basis, and hence posits them as overpopulation, and not only lacking in means but incapable of appropriating the necessaries through labour, hence as paupers. ... Overpopulation and population, taken together, are *the* population which a specific production basis can create. The extent to which it goes beyond its barrier is given by the barrier itself, or rather by the same base which posits the barrier. Just as necessary [*sic*] labour and surplus labour together [are] the whole of labour on a given base (Marx 1973 [1857-61], original emphasis).

In other words, inclusion – reflecting both production and reproduction functions – is determined at a political level, not at a production level where the motive is profit rather than distribution. Yet proponents of free market doctrine continually attempt to sublimate human behaviour and social relations to the economic system (see Polanyi 1944). For Marxists, the production process is nested within a broader social system. Production will not fully absorb all members of society, and it is inherent in the capital accumulation process that production will absorb them in ever-decreasing numbers over time (see, for example, (Bauman 1997; 1998; Gorz 1999; Jamrozik 2005; Lipietz 1992). How the whole population shares in the wealth that is generated, as a

result of both economic endeavour and the social reproduction that supports it, reflects dialectical interaction between the capital and labour classes and changing power relations within society. That is, class conflicts arise not only over labour exploitation at the point of production, but also about general living standards experienced at societal level. Marx argued that capital's success would generate increasingly hostile reaction to the subordination and commodification of labour (Dow 2006). He predicted that worker exploitation and growing consciousness of class-based wealth disparities within society would ultimately ignite a working class revolt to bring about the terminal decline of the capitalist system (O'Brien and Penna 1998:51). Notwithstanding this prediction, at the beginning of a new millennium, capitalism survives in what, ostensibly, appears to be remarkably robust form. Karl Polanyi and, in similar vein, regulation theorists, provide important insights into why and how capitalism has proved to be so surprisingly enduring.

5.3 Lessons from Polanyi

The significance of Polanyi's (1994) work lies in the revelation that capitalist phases are propelled by what he terms the 'double movement' between market incursions on the one hand, and social resistance to commodifying forces on the other (1944:76). Whereas pre-industrial economies were embedded within social systems and were subjected to social rules, the liberal 'utopian project' of the early capitalist classes sought to reverse this order and subject society itself to market principles²⁰⁰. Polanyi deems the project to be a 'stark utopia' because capitalism's more extreme impulses will continue to confront counter-tendencies which then become institutionally embedded over time.

The introduction of a national 'self-regulating market' entailed creation of the fictitious commodity forms of labour, land and money (Polanyi 1944:68-76); the entrenchment of the liberal philosophical and ideological creed (1944:135-160); and the elevation in the status of

²⁰⁰ Local markets as well as international trading markets had existed for some time. These, however, operated in separate spheres; local markets were tightly regulated to ensure that producers did not face competition from outsiders or from abroad (Polanyi 1944:65-66).

economics to a science of universal truth and natural order (1944:125). Securing the welfare of the community by the visible hand of good statecraft was quickly aborted in favour of securing the welfare of the economy, and thus the fortunes and personal liberties of free market actors, by the 'invisible hand' of semi-interventionist government. Market dominance took considerable toll on 'social welfare'. However, industrialised history, with waged labour instilled as the norm, has since been marked by social struggles to institutionalise market containment and thwart the development of a true market society. The dialectical momentum between these two processes, or the 'double movement' (1944:76) central to Polanyi's thesis is central to our own lives. That is, literally threatened with extinction by the ruthlessness of an economic system whose *raison d'être* is eternal expansion, human society is continually forced to reinvent itself through its cultural, political, economic and legal institutions in defence of a socially -determined, rather than market-determined, order.

As discussed in the previous chapter, Silver (1994) associates the concept of 'poverty' with the turbulent developments of the industrial revolution. Polanyi, in fact, describes the creation of poverty as an event: the creation of a market for labour was fundamental to the new industrial system and the social conditions to prevent subsistence by any other means were specifically cultivated for this purpose. As factories began to cluster in regional centres, demand for labour escalated rapidly. The creation of a national market for labour was obstructed by the Speenhamland Law of 1795, which in effect guaranteed a 'right to live' based on community membership (which was strictly policed within the local parishes). An allowance scale was calculated in reference to the cost of living based on family needs. It provided income for those who were without work, or income supplementation for those who were in poorly-paid work. The Speenhamland system quickly extended across the country parishes (which were responsible for the welfare of labourers within them), and then to a number of industrial districts. The paternalistic 'right to live' allowance, a vestige of feudal responsibility for the poor, was in direct conflict with the formation of capitalist society and proved disastrous not only for capitalists, but also for labour. Quoting Polanyi:

... no labourer had any material interest in satisfying his employer, his income being the same whatever wages he earned; this was different only in case standard wages, *i.e.*, the wages actually paid, exceeded the scale [that is, the 'living wage'], an occurrence which was not the rule in the countryside since the employer could obtain labor at almost any wages; however little he paid, the subsidy from the rates brought the workers' income up to scale. Within a few years the productivity of labor began to sink to that of pauper labor, thus providing an added reason for employers not to raise wages above the scale (1944:79-80).

Of interest, Polanyi points out that this situation may have turned out very differently had not strong anti-combination laws been introduced. That is, enabling workers to form unions and bargain for appropriate wage levels would have been likely to provide motivation beyond subsistence living as well as ensuring that the allowance system would not depress wage levels, as it eventually did (Polanyi 1944:81). In order to force the emergence of a competitive labour market, the Speenhamland system was abolished with the Poor Law Amendment of 1834. This legislation introduced a degrading form of means-testing and extended assistance only to the most impoverished on proof of 'deserving' status. Frequently people finding themselves in this position were relegated to the workhouse and required to perform menial labour. The market for labour was initially even more destructive to the working class than Speenhamland in the sense of the rapidity of change and the massive dislocation it caused. Those not able to qualify for assistance nor to find a living were forced out of the parishes and into the factories as the law intended. But 'almost immediately' society fought back: 'factory laws and social legislation, and a political and industrial working class movement sprang into being' (Polanyi 1944:83).

Polanyi's account of these early industrial times illustrates particularly well how the production process intersects with, and exists in, what is predominantly a system of social relations with an inherent antipathy to oppression. Thus begins the dialectical momentum between crisis and compromise as the pendulum of power swings between capital and labour, ultimately giving rise to specific capitalist epochs.

5.4 The Regulation Approach

Regulation theorists, like Polanyi before them, also take a historic focus on phases of capitalist accumulation and the institutional arrangements that support specific phases. One of the key issues to be investigated within this thesis relates to how the emergence of social exclusion discourses is associated with the debates about the demise, or reform, of the welfare state in the current era of globalising capitalism. As will be shown below, the ‘event’ of poverty during early industrialism has a parallel correspondence with what might be called the ‘event’ of social exclusion during the current phase of globalising capitalism. In both cases, the policy design objective is to effect a rebalancing of class interests, that is, the consolidation of capital’s interests through the sanctioned exploitation of those without either independent means or financial patronage. A regulation theory analysis enables us to look further through the heuristic ‘window’ of social exclusion (Silver 1994:536) to explore this question. Regulation theory directs a focus onto the institutional aspects of these changes as the balance of power shifts between the class factions.

5.4.1 Background and Key Concepts of Regulation Theory

Regulation theory²⁰¹, intellectually grounded in the Marxist political economy tradition, advances Marxist thought in accounting for capitalism’s unforeseen durability (although, contrary to charges from critics, rejects the idea that the system must automatically reign eternal or that the role of class agency is demeaned (Duncan 1995; Jessop 2001; 2006a). The pioneers of the approach, Michel Aglietta and Alain Lipietz, are recognised for their theorisation of Fordism, the long boom of capitalism that defined the post-war ‘Golden Era’ (Aglietta 1976; Lipietz 1987a). The theory was developed in the late 1970s as a critique of neoclassical economics, and subsequently has been used to critique the neoliberal ‘free market’ policies ascendant in western thinking for the past twenty-five years or so (Broomhill 2001:117-118). Regulation theory emphatically rejects the fundamental tenets of neoclassical economics: that is, that free market policies will achieve supply and demand equilibrium, and that ‘exchange relations are

²⁰¹ The theory takes its name from the French word ‘*régulation*’, which essentially means to regularise or normalise – to make general – rather than ‘*to regulate*’ in the English language sense, which lends a more formal or legal nuance (Boyer and Saillard 2002 [1995]:1; Jessop 2006a:4).

driven entirely by the economizing behaviour of preconstituted rational individuals oriented exclusively to the market price mechanism' (Jessop 2006:5; also Aglietta 1976:16). While market forces have a role to play in expanding capitalism, they are seen as 'merely one contributing factor' among many other dynamic forces (Jessop 2002b:5). For regulationists, the major weakness in the neoclassical economics position is its disregard for the complex and conflict-riven social relations inherent in capitalist systems of production. In ignoring historic events, neoclassical economic theory is sterile in its potential to explain the reproduction of capitalism as a system. It does nothing, in other words, to account for how capitalism improbably overcomes its internal contradictions and inherent structural instability (Aglietta 1976:11; Jessop 2002b:5; 2006a:4; Lipietz 1987a:12). As Lipietz explains, 'crisis is the normal, natural state and non-crisis [eg the Fordist era] is a rather chance event' (Lipietz 1987b: Online). Neoclassical economics, on the other hand, tends to dismiss these historic concrete events as some sort of absurdity *because* the theoretical model cannot properly explain them: we must thus accept the unacceptable logic that 'the tail is wagging the dog'.

Interest in regulation theory as a research methodology has, since the initial theorisation of Fordism, generated an ongoing research agenda motivated by an interest in the relationship between the economic and extra-economic institutions of capitalism, and how these interact over time to provide relatively longer-term periods of stability. Prominent regulationist Bob Jessop emphasises that 'although it is often treated as a single, homogeneous school, regulationism is better seen as a broad, progressive research programme in institutional and evolutionary economics with major implications for critical social science more generally' (Jessop 2006a:2; also Lipietz 1987b). Theoretical developments and their application, therefore, are also diffuse (see Jessop 2006a for a comprehensive overview of the seven main schools of thought, their derivatives and evolutionary trajectories). Various theoretical frameworks and models of development have evolved within this tradition, however it should be pointed out that these are not always used in formulaic entirety; research can focus on discrete institutional fields of enquiry, specific elements associated with accumulation dynamics (Jessop 2006a:217-19) or on developments occurring at global, national, regional or local spatial scales (see Beall

2002; Broomhill 2001; Lloyd 2002; Low 1995; Low and Gleeson 2002; Peck 1996; Tickell and Peck 1995 for examples). Inquiry at a less-generalised or less-abstract level is in fact encouraged (Jessop 2002b:249; Peck and Tickell 2002:381). This is because capitalist economies are embedded in time and place.

Central to regulationist thinking is that capitalist growth cycles can be periodised into distinctive eras²⁰². Each phase is distinguished by a particular dynamic of production and characterised by a range of interrelated and underpinning social, cultural, political and economic norms, values and institutions which, only when operating together as an integrated system, enable capital accumulation to continue through relatively stable growth. Some of the key concepts of the regulation approach, extracted primarily from Jessop's work on accumulation regimes, are presented in Table 2 below. The last column lists typical Fordist-type examples.

Table 2. Key Concepts within Regulation Theory

<i>Concept</i>	<i>Description</i>	<i>Operational Level</i>	<i>Fordist Paradigm</i>
Industrial Paradigm	A model governing the technical and social division of labour (<i>ie</i> leading sector)	Micro-economic	Mass production of manufactures based on Taylorist principles
Accumulation Regime	A pattern of production and consumption that complements the industrial paradigm and is reproducible over a long period	Macro-economic	Keynesian demand management; mass production/mass consumption of consumer durables within national boundaries
Mode of Regulation	An ensemble of norms, institutions, organisational forms, social networks, and patterns of conduct that become mutually self-reinforcing to stabilise an accumulation regime; embodies both economic and extra-economic factors.	Meso-economic	Welfare state orientation; institutionalised collective bargaining and cross-sector male wage generalisation to promote mass consumption norms and stimulate domestic demand; economic and social policies linked to rights and entitlements based on national citizenship (and corresponding exclusions); male breadwinner/female carer norm.

Source: Jessop (2001; 2002)

²⁰²

Notions of periodisation have been subjected to critique because of differential rates of development between industries and regions (Low 1995:210, citing Webber 1991:179). Jessop has also conceded that periodisation can be problematic because institutional convergence is not automatic, and because institutional continuity coincides with institutional discontinuity across sectors and across spatial scales (Jessop 2003b).

The *mode of regulation* is also referred to as the 'societal mode of regulation' (Lipietz 1987), the 'mode of social regulation' (Peck and Tickell 1994; 2002; Tickell and Peck 1995), and the 'social mode of economic regulation' (Jessop 1994a; 1994b:14)²⁰³. These terms, while subtly different in a comparative sense, better encapsulate what regulationists conceive as the *embeddedness* of production systems within the social realm, broadening the focus from more formal economic regulatory institutions to embrace specifically social and cultural forms of regulation. The mode of social regulation is the sum of:

... a complex ensemble of social norms and habits; state forms, structures and practices; customs and networks; and institutionalized compromises, rules of conduct and enforceable laws, the MSR [i.e. mode of social regulation] defines the 'social context in which expanded economic reproduction occurs' (Tickell and Peck 1995:361, citing Jessop 1992a:50).

There is an insistence that modes of social regulation arise as the 'result of *chance discoveries* made in the course of human struggles' (Tickell and Peck 1995:361, quoting Lipietz 1987:15, original emphasis). The factors comprising modes of regulation are usually organised into five main institutional categories, although there is no real consensus about how these should be framed conceptually (Jessop 1994b:14). A good degree of overlap between variables is inevitable (Amin 1994; Jessop 2001; Petit 1999). The following institutional categories are taken from Jessop's organisation of modes of regulation. The indicative examples of the regulatory focus added in brackets have, however, been added:

- i) *the state and its apparatus* (eg form of government; political system; legal, judicial and administrative institutions)
- ii) *financial and monetary systems* (eg taxation regimes; forms of credit and investment; bank and finance regulation; monetary policy; foreign exchange)

²⁰³ Jessop conceptualises, in addition to the 'social mode of economic regulation', a separate referent labelled 'mode of societalisation' (1994:15), which is described as a 'pattern of institutional integration and social cohesion which complements the dominant accumulation regime and its social mode of economic regulation and thereby secures the conditions for its dominance within the wider society' (Jessop 1994b:15, citing Jessop 1992a, 1992b).

- iii) *international relations* (eg trade; foreign policy; immigration; military alliances; rights treaties)
- iv) *enterprise forms and linkages and forms of competition* (eg national, transnational and international firms; public/private mix; corporate regulation; inter- and intra-firm relationships; size and scale; industry diversity; monopolies and oligopolies)
- v) *the labour market and the welfare nexus* (eg division of labour; social security system; welfare state institutions; human capital development; family policies)

Over the last few decades, significant changes associated with globalisation have occurred in all these areas and they are all interlinked. The last category relating to the *labour market and the welfare nexus* is the critical focal point in the context of changes to the welfare state policy environment as a result of the breakdown of the Keynesian consensus and the rising influence of neoliberalism. This is discussed in section 5.4.5 below.

When there is sufficient complementarity, or institutional coherence, between the industrial paradigm, the regime of accumulation and the mode of regulation, a model of development emerges which secures the conditions to sustain a 'long wave' of relatively stable capitalist expansion – such as the 'virtuous circle' of production characteristic of the Fordist-era (Jessop 1994:253).

Mutually self-reinforcing institutions that result in unlikely phases of relative stability within a given historic period and within a specific spatial boundary are referred to as 'temporary institutional fixes' (Peck and Tickell 1994), or spatio-temporal fixes (Jessop 2002). Institutional innovation, revision or realignment evolves as a result of 'struggles to restore the conditions for self-valorization within the capitalist economy understood in its inclusive sense' (Jessop 2002b:31). As suggested above, these dynamics include production-level dispute about wages and conditions, contentious relations between the diverse sectors of capital, and resolution of conflicts and contradictions within the broader social realm including concessions mediated through the formal political process (Jessop 2006b). The 'regulatory' framework is never

permanent. Rather, the conjunction of a variety of institutions at any one time offers only temporary and transitional solutions that are inevitably disrupted when capital's perpetual quest for valorisation forces reaction and/or change within the social milieu. Contrary to the doctrine of *laissez-faire*, economic policy cannot stand alone but must have a symbiotic counterpart in social policy and social institutions (comprising the all-important mode of social regulation) which maintain reproduction of the system as a whole. In this way, Keynesian welfare state policies and institutions provided the 'fix' for the long boom of capital accumulation during the post-war period.

5.4.2 The Role of the Keynesian Welfare State in Post-war Capitalism

Jessop describes the (ideal-typical) Atlantic Fordist model, underpinned by the Keynesian welfare state, as a 'virtuous circle' of growth which exhibited the features in Table 2 above. Aspects of the model, for example a Taylorist division of labour and standardised mass production, were already in place by the 1930s. During the post-war years complementary arrangements consolidated into a more or less cohesive pattern at the level of the closed national economy (Jessop 2002b). The Bretton Woods system, an internationally-agreed regime of financial capital controls incorporating 'fixed but flexible' international exchange rates and trade regulation, ensured that national economic systems remained relatively closed during the period of post-war reconstruction. This regime (which eventually began to crumble during the 1970s) provided domestic economies considerable latitude in macro-economic planning – without threat of disequilibrium through the sort of speculative investment movement that had wreaked havoc during the interwar years (Helleiner 1994). As Jessop comments, 'the steady expansion of the peacetime state budget gave the Keynesian Welfare State far more leverage in fiscal and monetary terms to steer the economy than the liberal state had in the period of competitive capitalism' (Jessop 2002:78).

While the post-war climate provided the scope to begin afresh with international economic planning in recognition that 'this time things had to be done better' (Stubbs and Underhill 1994:145), the class struggle was the real catalyst for the 'fix'. The regulatory regime was not a

result of design alone, but was won by the efforts of workers themselves, sometimes through episodes of fierce industrial action (Lipietz 1992:7). That is to say, at an intellectual level, Keynes had already foreshadowed the problems associated with increased productivity through Taylorist forms of production, recommending that wages be correspondingly increased in order to bolster demand. This advice, however, was resisted in the 1930s by ruling powers with conservative free market convictions. Quoting Lipietz:

The only thing which could force all bosses to increase simultaneously the purchasing power of their workers was pressure from the unions, which they were striving to suppress, and whose successes had to be won locally, firm by firm. Employers found it easier to treat their employees as producers to be coerced rather than as a crop of consumers. The fears of Ford, Keynes and the labour unions, faced with the free-market conservatism of Hoover, Lloyd George or Laval, were realized in the disasters of the 1930s Great Depression, a gigantic crisis of overproduction (Lipietz 1992:7).

The post-war Fordist industrial paradigm which succeeded this period of turmoil can be understood as an institutionally coherent system of mass production and mass consumption underpinned by a state-mediated social compact between capital and labour. Although it was characteristically 'social democrat' by nature, governments of both left and right accepted its principles and administered their policies accordingly (Lipietz 1992:12; Jessop 2006b). It encompassed, at the level of the macro-economy, political commitment to full employment, formal industrial arrangements legitimating unions and collective wage negotiation, wage and price indexation linked to rising productivity, and credit and finance regulation geared to maintaining both an investment pool for capital and domestic demand for manufactured consumer durables.

Fordism worked as a 'virtuous circle of production', but crucially, only through the application of Keynesian economic policies and social interventions designed to assist capital accumulation in a number of ways. The state smoothed out fluctuations in the business cycle and promoted economies of scale by commissioning infrastructure projects, by facilitating nationalisation and

mergers of industries, and through sponsoring domestic housing and transport policies. Greater demand predictability in turn encouraged capital reinvestment and expansion of the system. Taxation generated sufficient revenue for expansive fiscal policy and generous provision of welfare state infrastructure and services such as public utilities, health, housing and education.

The expansion of the welfare state was in effect a by-product of the state's role in underwriting demand and full employment²⁰⁴. Employment in the welfare state sector of the economy grew significantly during the period and was another factor that assisted, through an overall expanded employment base and rising living standards, in generalising consumption norms across the population. While Fordist 'societalization' was responsible for both the consolidation of social problems due to greater 'commodification, urbanization and bureaucratization' (Jessop 1994:255), it was also responsible for the popular legitimacy of welfare state services as a social entitlement linked to citizenship rights. Social norms and values also played a pivotal role. 'Full employment', for instance, was implicitly full-time employment at a wage sufficient to support a male breadwinner and his nuclear family. The whole system was socially and institutionally biased to maintain men's participation in the primary labour market, and women's participation in the social reproduction of labour. In these various ways, the post-war 'fix' provided by the Keynesian welfare state kept the circuit of capital moving in a positive direction. Economic prosperity provided the material basis for continuation of the class compromise, and serious levels of household poverty were averted via redistribution through the labour market and welfare state institutions that de-commodified essential services. It was an era when the balance of power shifted decisively in favour of 'organized labour' (Jessop 1994:257). It was also an era of rising expectations, manifest in the welfare state's 'own expansionary drive' (with consequent resource implications) and the growth of various forms of social rights activism (1994:257).

²⁰⁴

Jessop is, however, cautious about conceding full employment as a specific outcome of political commitment and attributes this alternatively to the Fordist growth dynamic (Jessop 1994a:255; Jessop 2002b:76).

5.4.3 Structural Exclusions

The post-war fix nonetheless fell far short of utopia. Indeed, as indicated previously, some feminist scholars have labelled it a 'hierarchy of oppression' (Bakshi *et al.* 1995:1539). The so-called virtuous circle as illustrated by Fordism-Keynesianism was broadly but certainly not universally socially-inclusive, nor in spite of the social gains achieved did it generate equal social status: it was dependent on systematic discrimination against certain individuals, sectors or groups in particular ways (Jessop 2002b; Peck and Tickell 2002:385). Jessop explains that 'spatio-temporal fixes', that is, the development of a set of structurally coherent institutions that secure a growth regime, are exclusionary within certain boundaries:

Even within these boundaries some classes, class fractions, social categories or other social forces located inside these spatio-temporal boundaries are marginalized, excluded or oppressed. Thus spatio-temporal fixes also facilitate the institutionalised compromises on which accumulation regimes and modes of regulation depend, and subsequently come to embody them. This can involve super-exploitation of internal or external spaces outside the compromise, super-exploitation of nature or inherited social resources, deferral of problems into an indefinite future and, of course, the exploitation and/or oppression of specific classes, strata or other social categories (Jessop 2002:49).

This point can be usefully illustrated by drawing on Fordism's male breadwinner paradigm whereby women, on the basis of gender, were denied economic independence because of their systematic exclusion from full labour force participation in well-paid forms of employment. The post-war welfare state was instrumental in maintaining these social and institutional boundaries.

Early regulation analysis has tended to locate women's activity primarily in the social reproduction sphere, with any secondary involvement in paid work determined by labour market fluctuations (McDowell 1991:402 citing Aglietta). However, some feminist writers argue that this 'reserve army' notion of women's economic activity within the Fordist regime compresses the complexity of women's roles. With commodity consumption on the rise, women were increasingly compelled to take paid work and support the family's more affluent consumption

norms. Their labour market participation was in turn facilitated by the expanding reach of the welfare state into areas such as childcare and support for the elderly, which relieved at least part of women's traditional burden of responsibility in social reproduction. Moreover, the expansion of these sorts of services *outside* the family realm provided a growing employment base for women in the economic sector – albeit under conditions vastly inferior to those enjoyed by the majority of men. Occupational segmentation of the labour market, on a gender basis, was rigidly demarcated. Women occupied jobs at the 'bottom of the occupational hierarchy', regardless of whether they were engaged in public service or private enterprise work (McDowell 1991:402). Part-time work created employment opportunity for women, but most notably in insecure jobs with poor pay and conditions. Feminist critiques of regulation theory highlight that women's participation in the paid sector grew steadily throughout the post-war period – *despite labour market fluctuations*. For this reason, women's employment on terms less favourable than men's – must be considered a *central* feature of the structural hierarchy of the Fordist labour market. In contrast, labour market movements affecting 'reserve army' numbers are more strongly associated with sectoral shifts in economic growth: 'it is the fortunes of different sectors rather than the gender of the workers that is the most important factor in determining labour market movements' (McDowell 1991:403, citing Dex and Perry 1984). Williams, similarly, finds that in addition to the gendered construction of 'skill' which invariably meant that women's work was under-remunerated, the 'assumption of a family wage, women's domestic labour and, in Britain, the part-time employment of working-class women, made possible the way production and consumption were organised' (1994:61).

Occupational segmentation based on 'race' discrimination, was also a common – and systemic – feature of the period in question (Williams 1994). Capital is consistently strategic in its exploitation of immigrant labour (external to the social contract)²⁰⁵, and the post-war era was a time when western countries in particular absorbed significant numbers of people displaced by war and, as was the case in Britain, immigrants of non-Anglo ethnic origin from colonial

²⁰⁵ In the more open global trade and finance regime, the tendency has alternatively been to exploit immobile labour sources in newly-industrialising external spaces in order to avoid both production and social reproduction costs implied in domestic labour utilisation (see Peck's (1996:168-169) account which relates to Australia's textile, clothing and footwear industry).

outposts of the former British Empire. Many of these men and women were exploited in both highly skilled and 'unskilled' forms of work within the welfare state sector of the economy. The state in this way economised on social reproduction costs in the form of immigrants' discounted wages as well as the prior investment in their education and training by their countries of origin (Williams 1994).

To quote Lipietz, while the Fordist paradigm 'theoretically ... denies nobody "a share in the fruits of progress", in practice there will always be people who are excluded' (Lipietz 1992:11). In international terms this meant that whole nations were excluded:

To begin with the Fordist model came to dominate only OECD countries.... Most Third World countries were excluded (or excluded themselves ...), and were therefore marginalized, in the 1950s, as far as trade in industrial goods was concerned (Lipietz 1992:11).

Many developing nations were drawn in to the 'Western bloc' of international trade over time, however only on highly disadvantageous terms (Stubbs and Underhill 1994:146). The coincidence of development and under-development, of course, gave momentum to the later process of global restructuring when international trade and exchange controls were increasingly abandoned.

5.4.4 Global Restructuring and Welfare State Changes

The developments which precipitated the 'crisis' of the welfare state and propelled the neoliberal globalisation project are many and complex and are comprehensively covered by Harvey (1989) and Lipietz (1992) amongst innumerable others. Essentially, Fordism imploded because its internal rigidities rendered it incapable of reconciling class-based contradictions. Some of the factors that have been implicated in causing or facilitating the backlash against Fordism-Keynesianism include: the rising expectations of labour; increasing resistance to class-based forms of exploitation by women and ethnic minorities; the expansion of the welfare state and associated demands upon it; the breakdown of the international monetary regime; the oil shocks of 1973 which increased the cost of imported fuel; increasing competition from Europe

and Japan; technological advancement (particularly information and communications technologies); and the falling profits which led to capital seeking offshore opportunities for cheaper production or replacing labour with technology. Inequality has risen along with the gradual breakdown of the institutions which formerly had managed to contain it. The pendulum was clearly on a backswing towards capital advantage.

'Hollowing Out'

Over a number of years, Jessop has developed and refined his hypothesis that the ideal-typical Keynesian Welfare National State of the post-war era is undergoing metamorphosis to an emergent post-national accumulation regime premised on neo-Schumpeterian logic (Jessop 1994a,b; 1995; 1997; 1999a,b; 2001; 2002a,b; 2003a; 2006b). It should be reiterated here that Jessop's observations bear witness to a phase of transition, of chrysalis; like others, he has refrained from claiming that an institutionally coherent post-Fordist regime of accumulation has actually crystallised (2002:1). While Fordist nation-states' regulatory regimes differed significantly within national boundaries²⁰⁶, to a greater or lesser extent they exhibited a strong social welfare orientation. Jessop observes that, as a result of global restructuring and neoliberal policies devised to restore capital profitability after the various social and economic crises which manifested *circa* 1970, the form and function of the post-war national welfare state is becoming 'hollowed out' in various ways.

One of these relates to the 'hollowing out' of its typically welfare-based character. However, as well, he suggests that national level governments have ceded much of their power to second tiers of government and supra-national institutions (such as, for example, formalised free trade agreements under World Trade Organisation principles). In this way, national level governments are ceasing to have the same regulatory precedence they had in the post-war era (Jessop 1994b; Peck and Tickell 1994:374²⁰⁷).

²⁰⁶ See Tickell and Peck (1995) for a range of national variants.

²⁰⁷ Australia's specific experiences of these changes are discussed in Chapter 6.

The Schumpeterian workfare state is described by Jessop as having the following objectives:

To promote product, process, organizational and market innovation in open economies in order to strengthen as far as possible the structural competitiveness of the national economy by intervening on the supply side; and to subordinate social policy to the needs of labour market flexibility and/or the constraints of international competition. ... [D]omestic full employment is downplayed in favour of international competitiveness and redistributive welfare rights take second place to a productivist reordering of social policy (Jessop 1994a:263 and 1994b:24).

So, whereas the Fordist state moderated the power balance between capital and labour, and intervened to achieve supply and demand equilibrium, its successor's paramount concern is to secure favourable conditions for capital; in the quest to create the optimally competitive environment (and enable 'advanced capital economies to move up the technological hierarchy' – Jessop 1994b:25), economic considerations commonly displace social welfare concerns. As governments have increasingly encouraged an export orientation, securing domestic demand has become an issue of secondary importance. The welfare state's 'social wage', made possible through tax revenue, is recast as an impost on the cost of production. Political commitment to full employment, a linchpin of the Fordist era, was one of the early casualties within the realm of 'social' rights and entitlements²⁰⁸. The consequent growth of the 'flexible' labour market, together with removal of many institutions that formerly effected redistribution through cross-subsidisation, has produced growing levels of wealth and income inequality within national borders (Jessop 2002b:100, 140-168)²⁰⁹. In light of these problems, the adoption of 'social inclusion' approaches, particularly by governments traditionally committed to social justice principles, is not only explicable but could in fact be construed as a form of weak counter-movement to 'self-regulating' market forces.

²⁰⁸ Although, as Jessop (1994a) argues, economic growth 'rooted ... in the basic dynamic of Fordist expansion' can more realistically take the credit for a full employment climate.

²⁰⁹ Furthermore, a more interactive international trade regime has contributed to greater inequalities between nations (Hurrell and Woods 1995).

5.4.5 The Workfare Policy Regime

Welfare regimes are not merely about redistribution, they can be critical in securing the 'key conditions for capital accumulation' in their capacity to direct market forces and regulate the relative commodification of labour power. In other words, welfare regimes govern the division of labour between capitalism's economic production and social reproduction roles (Jessop 2002b:141). They provide an institutional basis for discrimination:

They ... contribute to the classification and normalization of individuals, groups and other social forces as a basis for differential treatment in the division of labour and for social inclusion-exclusion within the context of specific spatio-temporal fixes (Jessop 2002b:142).

The institutional arrangements within a welfare regime, then, determine who is to participate in the labour market, the conditions attached to that participation and how (or if) redistribution should flow to those outside the labour market. The current focus on curbing 'welfare dependency' through active labour market processes linked to conditional income support is for Jessop and others at the vanguard of the aforementioned shifts in the contemporary state's form and function (Byrne 1999; Grover 2003; Grover and Stewart 1999; Jessop 1994a,b; 1995; 1999a; 2002b; 2003a). In the post-war context, the social contract was premised on political commitment to full employment with the public sector utilised as 'employer of last resort' to underwrite the demand side of the labour market (Peck and Theodore 2000). The shift from Keynesian economic management to neoliberal monetarist principles necessarily breaks this contract, as a level of unemployment is sanctioned to control inflationary pressures²¹⁰. Full employment has been converted to full 'employability' (Peck and Theodore 2000), so it could be argued that responsibility for employment has actually been re-sited from the macro to the individual level. In the quasi-social contract that Jessop has coined 'workfare' (Jessop 1994b), the welfare dependent individual has a responsibility to become a more employable and competitive labour market actor. In a perennial neoliberal climate of fiscal constraint, any

²¹⁰ This is the neoclassical economic formula known as NAIRU – the non-accelerating inflation rate of unemployment.

'welfare' expenditure is thus legitimated as a supply-side strategy underpinning 'corporate welfare', through training and labour market policies that displace capital costs of production.

It is interesting to contemplate why workfare type models have tended to be introduced, or maintained, by governments with a social democratic heritage. In Britain, the shift to workfare began in Britain during the Thatcher and Major years, but continued under Blair essentially because both governments were responding to the same 'regulatory dilemmas' (Grover and Stewart 1999; Peck and Theodore 2000). The notion of 'workfare' was initially resisted by the Major Conservative Government on the grounds of inconsistency with its ideology:

Conceding a role for the government as the 'employer of last resort', the right argued, would be both ideologically inconsistent and extremely expensive (Peck and Tickell 2002:735).

It appears that 'workfare' at that point had Keynesian connotations and was ideologically resisted for that reason. Yet the ultimate response to the dilemma was not dissimilar. Strict job-search criteria was tied to benefit eligibility, thus coercing labour market attachment and forcing acceptance of work. The New Labour government actually embraced this framework prior to taking office, and, according to some, has become increasingly more resistant to demand-side interventions over time. Both sides of British politics have tended to put primacy on 'real' jobs and labour market participation to the detriment of other means to allow income recipients to fulfil 'obligations', unlike some European models (Peck and Theodore 2000). Regulationist writers Peck and Theodore suggest that New Labour has at least invested more in 'employability' compared with its Conservative predecessors. They note nonetheless that Labour has been strongly influenced by the United States welfare model, particularly its elements of compulsion (2000:735-6). There is a good degree of evidence nonetheless that the substance of New Labour's active welfare ideas were imported from Australian Labor, whose terms in office during the 1980s coincided with Britain's Thatcher years. Labor's attempts to reconcile conflicting social and economic objectives- despite the challenge of a more open trading environment and neoliberal global pressures managed to maintain the necessary

credibility with its traditional support base to win four succeeding elections (Frankel 1997; Green and Wilson 2000; Schwartz 1998).

Grover has argued that the intent of coercive 'employability' policies and active labour market approaches is to capture the marginalised and extend the available labour pool. The explicit objective is to make the *whole* labour market more competitive, thus suppressing wages and inflation. In the UK context lone mothers are now primarily seen as unemployed labour, a status they share with others not previously attached to the labour market because of disability or other reasons (Grover 2003). The objective is to tighten the nexus between wages and welfare to create, as did the Speenhamland reforms in the nineteenth century, economic reliance on the labour market rather than state alms. Hence, the 'social bonds' (Silver 2006) attenuated by the neoliberal monetarist sanction of unemployment are ostensibly restored through government subsidies (constituted as personal tax credits) for low-waged work that makes welfare reliance less attractive for a more inflated 'reserve army' (see also Byrne 1999). From Grover's perspective, New Labour, in taking this policy direction, goes where 'the Conservatives, were ... unwilling to go' (Grover 2003:20), because of conflicts with their ideology— for instance, the role of women as mothers.

The 'male breadwinner' model, then, has essentially broken free of its Fordist paradigm. However, there is a serious crisis emerging around the social reproduction of labour (not to mention biological reproduction of the human species²¹¹) because social policies have not kept pace with new norms and expectations about women's labour market attachment (Daly and Saraceno 2002; Levitas 1998). Many women have accordingly been left with the dual burden of contributing economically to household needs, as well as undertaking unpaid caring roles within the family and often within the community as welfare state supports are either withdrawn or rationed out on a highly selective basis. This issue is discussed further in the Australian context in Chapter 7.

²¹¹ Fertility rates in most western nations have been in decline since the mid-1970s. Martin's research observes a Malthusian effect in that the total fertility rate (TFR) is highly sensitive to actual economic conditions, and families' uncertainty about their future economic security (Martin, J 2002-3).

It is critically important to remember that, particularly in the 'Anglo-sphere', these new conditional welfare developments have been preceded by the earlier, politically-orchestrated disempowerment of the union movement and retrenchment of other institutionalised labour rights (Peck 1996:2). Again this bears a parallel correspondence with the anti-combination laws of the early industrial era. The policy shifts that have occurred on both these fronts simultaneously have been effective in forcing greater parity between low wages and welfare, at the same time churning those marginally attached to the labour market between precarious and poorly-paid employment and welfare income. For Byrne, the 'socially excluded' actually are these groups (Byrne 1999). Grover and Stewart maintain that workfare policies are about *creating* 'full' employment, but by a strategy of forcing wages down. This, they argue, is what workfare aims to achieve – a proliferation of jobs in the low-pay sector (Grover and Stewart 1999; see also Ziguras 2003). Another perspective is that workfare is about 'creating workers for jobs that nobody wants' (Jessop 2003c:715 citing Peck:2001): it is likely that both objectives will be valid in particular circumstances. The point is, however, that this obviously benefits capital; if the public purse compensates for low pay, in real terms the common weal is being usurped to provide a discount on producer inputs. It has been suggested further that forms of 'poor work' tend to proliferate because of what is effectively the state-sponsored subsidisation of employers (Ziguras *et al.* 2003:16). Once more, this is reflective of both the Speenhamland system in the suppression of wages, and the Poor Law amendment designed to enforce factory labour (Polanyi 1944).

Peck (2001, cited in Jessop 2003:715) observes that the effectiveness of workfare policies tends to be limited in inner city situations; in placing the most marginalised and harder to employ people; and when labour markets are weak due either to recession or locality (Jessop 2003c:715). Furthermore, Peck and Theodore show how 'work-first workfare' (2002:747) tends to create particularly malign effects on an economy:

... contingent work is further destabilised, there is a downward drag on pay and conditions; meanwhile 'low-road' employers are permitted to overcome competitive deficiencies temporarily

by engaging in wage-based competition at the expense of pursuing managerial and technological innovation (Peck and Theodore 2000:747, citing Tarling and Wilkinson 1997).

This suggests that, while there are short-term gains for capital, in the longer run it places considerable pressure on national economies in the quest to maintain a competitive high-end export and/or import replacement sector (and keep the nation's terms of trade on an even keel). Ultimately, this may mean that economic growth does not flourish in sectors that provide high wage opportunities. As quality jobs are likely to be reserved only for the privileged, a general decline in the nation's mainstream living standards would not be inconceivable (see also Dow 2006).

5.4.6 Managing Social Cohesion by Coercion and Authority

The tightening between the wage labour-welfare nexus has been accompanied by more authoritarian approaches to managing social cohesion. Regulationist geographers Peck and Tickell argue that a more sophisticated, authoritarian and invasive form of neoliberalism is in process:

No longer concerned narrowly with the mobilization and extension of markets (and market logics), neoliberalism is increasingly associated with the political foregrounding of new modes of 'social' and penal policy-making, concerned specifically with the aggressive reregulation, disciplining, and containment of those marginalized or dispossessed by the neoliberalization of the 1980s (Peck and Tickell 2002:389).

The neoliberal *cum* Third Way law and order agenda, as was discussed in Chapter 3, has a high profile on South Australia's policy regime, and, as will be shown in Chapter 7, coercive labour market attachment through workfare-type policies administered at national level is another development bearing witness to Peck and Tickell's (2002) observations. As with other aspects of this more invasive and competitive form of capitalist regime, there are some parallels in history. Lipietz writes that:

The political implications of developments like this are obvious: we are back again to the famous nineteenth century 'problem of the dangerous classes', with the possibility of mass revolts destabilizing the system (the best possible result in my opinion), or the spread of individual crime. The latter case would be a return to the regulation principle of liberalism, when fear united the top two thirds of society, and even some of the lower third, against the 'threat' of crime. The 'law and order' issue as a political argument is all the more effective in that troublemakers can be isolated as 'outsiders', as can those neatly summed up as 'predelinquents' - black people, young people from rundown housing complexes, and the like (Lipietz 1992:36).

It is an irony that the contradiction of market rule is implied in this scenario. If free market hegemony can only be maintained by increasing resort to policy and military discipline, as it was in the nineteenth century, the self-regulating market is revealed as nothing more than illusion (Polanyi 1944).

5.4.7 Beyond Transition: Political Challenges to the Neoliberal Agenda?

Regulationist writers tend to be more sanguine than others about the future of these contemporary developments. They consider them transitional rather than permanent even though neoliberal policies have recently become even more firmly and deeply embedded within the social superstructure of western societies as well as less-developed nations. Peck and Tickell (2002) argue that neoliberalism has continued to redefine its agenda as it has moved through various phases of reinvention: Keynesian institutional deregulation, or 'rollback' of statism in the 1970s (2002:387); the regulatory restructuring, marketisation and consolidation of neoliberal forms of governance in the 1990s; and, as popular disapproval of these policies gathered momentum, the Third Way's 'socially interventionist' rebuke (if only rhetorical) of capitalism rampant. In its most recent phase of regulatory insinuation the arrant political nature of this project, they argue, is laid bare; its pretensions as a self-propelled organic force are exposed. In this way, there is potential for the whole contested terrain to become a political battleground. While Peck and Tickell are careful not to underestimate neoliberal capitalism's continuing transformative capacity, they nonetheless suggest that:

The spectre is therefore raised that the very same channels through which the neoliberal project has been generalized may subsequently become the transmission belts for rapidly diffusing international crises of overaccumulation, deflation, and serial policy failure. Indeed, as we hover on the brink of a global recession– the first since the 1930s, when an earlier form of liberalism was the commonsense of the time neoliberalism may be about to face its sternest test of credibility and legitimacy (Peck and Tickell 2002:399).

That is, as Polanyi observed in *The Great Transformation*, the further capitalism moves towards a purely market-based society, the greater becomes the possibility that it will sow the seeds of its own destruction (Polanyi 1944). Peck and Tickell note that the current phase of ‘roll-out neoliberalism is becoming ... conspicuously associated with disruption and resistance’ (Peck and Tickell 2002:399). Although they acknowledge the growing relevance of global social movements, and countenance ‘strategically targeted local resistance’ (2002:401) they nevertheless suggest that, because of the asymmetrical nature of capitalist development in spatial terms, these pockets of resistance are unlikely to bear fruit in the absence of phase change in the ‘macro power structure as a whole’ (2002:401).

This is not to say, however, that the pursuit of socially-progressive locally-based policy initiatives should be abandoned as futile, or that they cannot serve (if only temporarily) as institutional exemplars, or lead to more positive and enduring institutional development (2002:401) – however ‘improbable’ this may be. Indeed, one could argue that this is critically important in subnational states and regions where decisions taken by national governments have embedded neoliberal power structures that compromise their social futures.

5.4.8 National and Local Contingencies

The importance regulationists place upon national and local contingencies within hegemonic regimes challenges criticisms of regulation theory that are based on charges of structural determinism (Tickell and Peck 1999). It should be re-emphasised in response that models of development are not pre-ordained but highly contingent (Aglietta 1976; Lipietz 1987a; Lipietz 1987b). Certainly ‘path dependencies’, reflecting how class compromises have been managed

previously, may advance or constrain institutional evolution: Jessop's discussion on how 'Fordist logic' was differentially adapted post-1945 in a number of different countries is a useful reference point in this regard (2002b:56). Logically, 'a host of potential institutional responses to the same regulatory dilemma' is possible some involving the state; some involving market actors; some reflecting a complex interplay between market and/or non-market factors (Peck 1996:26). Political conflicts, played out in political lobbies, industrial disputes, civil rights campaigns, various forms of social activism and the intellectual arena, will be pivotal in resolution or postponement of specific conflicts or crises. Needless to say, political struggles cannot always be reduced to a simple binary contest on the basis of capital and labour classes; they will inevitably cut across a broad range of interests and identities with conflicting allegiances and aspirations (Jessop 2002:31-33). The sheer complexity of these relationships is one significant reason why the development of a stable, longer-term regime of accumulation is not able to be structurally determined and is always vulnerable to weak links in the institutional matrix because local arrangements differ.

Specific analyses in different national and subnational contexts over different timeframes are therefore important in revealing departures from general institutional patterns (Jessop 2002:249). Jessop has emphasized that, 'even if certain general tendencies can be identified and grounded in the logic of contemporary capitalism, this does not justify a simple, 'one-size-fits-all' account of the restructuring of the capitalist type of state' (2002:249). Each nation state's response to institutional collapse will differ: each country's institutional matrix is the result of a unique combination of factors associated with its history, ideology, economic, geopolitical and cultural context. Therefore, specific national institutional trajectories, or the evolution of new sets of arrangements, will be obstructed, assisted, bypassed or prevented altogether by specific 'path dependencies' reflecting how class compromises have been managed previously. That is, reiterating the point made above, regulation theory's insistence on *contingency* means that 'path dependency' does not equate to structural determinism. Path dependencies, like institutional fixes, are not necessarily enduring but may obstruct, delay, or better accommodate more progressive institutional reform. In Jessop's words:

... national variations in the pace, direction and emerging [institutional] patterns ... are often rooted in their respective initial starting points, differences in modes of growth and insertion into the global economy, and in the institutional specificities and distinctive balance of forces (Jessop 2002b:249).

What this conveys is that the breakdown of Fordist institutions and the evolution of new forms may vary significantly between nations due to historic circumstances, international relationships, and the relative distribution of power within the state over specific timeframes. So, while at a general or abstract level the 'logic of contemporary capitalism' (Jessop 2002:249) has been informed by neoliberal policy approaches that form a reasonably standard pattern, at a (specific and concrete) national level, actual developments will be more nuanced.

Equally, it is at the local level where the effects of global restructuring are experienced; where the effects of inequality and social fragmentation have the most tangible impact on individual lives; and where governments must face their own electorates at the polls. Hostile competition between local states and regions has tended to exacerbate 'beggar-thy-neighbour' social retrenchment tendencies (Peck and Tickell 1994). Electorates are assured that economic growth will provide jobs and opportunities. Yet local value-adding relies strongly on adequate investment in social reproduction. Broomhill notes that while governments at local level have adopted various market-based policies to provide a competitive environment for modern businesses, these policies are at the same time complemented by more interventionist approaches to stimulate growth – as well as to meet social goals and keep faith with traditional political ideals (Broomhill 2001).

The South Australian Social Inclusion Initiative can in this sense be understood as an attempt to counteract the impact that economic forces have had on the State's social environment. On the one hand, this can be considered a form of 'institutional searching' as 'cities find themselves in the front line of *both* hypertrophied after-welfarist statecraft *and* organized resistance to neoliberalization' (Peck and Tickell 2002:395). On the other hand, it can also be construed as the importation of an 'off the shelf' solution rather than a slower (and potentially more

successful) policy developed *in situ* which is tailored specifically to accommodate local needs and circumstances (2002:398).

Thus, forms of locally-based institutional searching and experimentation tend to confirm that neoliberalism *per se* fails as an institutionally coherent mode of regulation capable of stabilising and underpinning a longer-term model of development equating with the success of the Fordist paradigm.

5.4.9 Missing Links: Taking the Research Agenda Forward

Peck and Tickell have maintained the consistent argument that a successful model of development is yet to consolidate because an effective mode of social regulation, one that residualises authoritarian forms of control, is yet to coalesce (Peck and Tickell 1994; 2002; Tickell and Peck 1992; 1995). This issue, they argue, is critical in evidencing a new regime:

A critical silence in much of the post-Fordist literature – perhaps *the* critical silence – is the issue of social regulation. For all the audacious claims about flexible production, flexible labour systems, new industrial spaces and so on, relatively little has been said about the political and social institutions needed to sustain these nascent economic trends. ... From a regulationist perspective, these features cannot be seen to be emblematic of a new regime until their sustainability can be demonstrated. This in turn implies that (some kind of) post-Keynesian MSR must be identifiable (Peck and Tickell 1994:364-365, original emphasis).

So, do social inclusion policies contribute to a 'post' Keynesian mode of social regulation and, if so, how can this be determined? Obviously social inclusion policies are only one of a vast array of potential regulatory components. However, there are a number of issues which might usefully be explored in clarifying this question.

- i) Since the mode of social regulation must be a relatively coherent set of arrangements, to what extent do local social inclusion policies cohere with or conflict with broader local policy objectives?

- ii) To what extent do social inclusion policies deal with social polarisation and ‘the possibility of either disruptive collective action or social breakdown’ (Peck and Tickell 1994:367)?
- iii) Closely related to the above, to what extent have they emerged as an outcome of dialectical struggles? Lipietz is insistent that class action was the real catalyst for the post-war ‘fix’ (1992:7).

Peck and Tickell (1994:367) also posit a number of other criteria necessary for an effective mode of social regulation, prompting the following questions:

- iv) Do social inclusion policies safeguard against recessionary swings in the business cycle? (In this context it might also be useful to consider how adequate social inclusion policies might be in terms of protecting the vulnerable in the context of recessionary swings.)
- v) Is there evidence of a framework of ‘policies, institutions and economic norms necessary for ensuring continuous reinvestment in skills, technologies and innovation’?
- vi) To what extent does the social inclusion approach prevent the take-up of ‘beggar-thy-neighbour’ policies that contradict social objectives?
- vii) Finally, given the possibility that Australian national level government has ‘hollowed out’ in terms of its capacity or willingness to underwrite full employment (Jessop 2002b; 2006b; Peck and Theodore 2000), to what extent does the local social inclusion model compensate in the social security function?

It is intended to return to these questions in the concluding chapter of this thesis, after first examining the Australian national policy environment which serves to clarify question (vii). The discussion of the national welfare state context forms the basis of Part 3 of this thesis.

Conclusion

Lessons from Marx and Polanyi expand understanding of 'social exclusion', if this is understood as a new form of poverty, as a phenomenon produced and reproduced systemically within the capitalist accumulation process. Silver's observations, discussed in Chapter 4, suggested that the emergence of 'social exclusion' discourses and policy approaches have historic parallels in the birth of industrialisation. This idea has been explored more fully in Chapter 5 through the eyes of Polanyi, an early 'institutionalist', whose work emphasised the dialectical momentum between social and economic forces which, becoming institutionally embedded, shape the social realm. Regulationists also link this dialectical interaction with regime shifts in periodic longer-term phases of capital accumulation. The coincidence of uneven capitalist development within and beyond national borders has resulted not only in a new division of labour, but in a disjunction between production and consumption patterns at national level. The contemporary focus on exports and open trade has meant that, in economic terms, demand need no longer match national supply; this has facilitated the 'hollowing out' of the welfare-state function towards a 'workfare state' motivated by global competition. More intensive forms of labour exploitation have accompanied authoritarian policies to secure social cohesion as ever-greater numbers of people are excluded from the wealth generated within their own society, that is, the society where, in Marxist terms, they 'labour and appropriate'. As the new 'socially-excluded' are churned between low-pay and welfare, capitalism – through the assistance of the state – has been able to reboot by taking advantage of low-cost production inputs. Stronger labour competition through these sorts of workfare policies may temporarily allow companies to compete internationally on a cost basis. Unfortunately, the reliance upon low-cost and subsidised labour may ultimately retard national technological development, undermine national living standards, and simultaneously create greater potential for class-based resistance to

capital's oppression because of more transparent social demarcations. Regulation theorists remind us that production and reproduction of labour are symbiotic; they serve a dual purpose to capitalism. Current neoliberal policies which undermine the social reproduction of labour, it is suggested, have recently been revealed as patently political; the more they expose vested self-interest, the more likely it is that they will be subjected to social resistance.

It is at the local level, where the real effects of global restructuring are felt, that politics about wealth redistribution inequities will matter. Drawing on the work of regulation theorists, a number of research questions, as outlined above, have been devised to provide a framework for a theoretically grounded exploration of the research hypothesis. That is, is the social inclusion approach adopted in South Australia likely to contribute to an effective mode of social regulation which can maintain social cohesion and longer-term social sustainability, or is it simply a 'window dressing' strategy adopted by SA Labor in an attempt to fulfil its traditional commitment to social justice? These questions are addressed in the concluding chapter.

In acknowledgement of the importance that regulation theory places on local and national contingencies at a concrete level, Chapters 6 and 7 which form Part 3 of this thesis, investigate institutional realignments in the context of Australia's adjustment to the pressures of globalising capitalism. The Australian national level of government has constitutional responsibility for social security, and more recently, has wrested from the states control over labour market policies that affect the majority of the South Australian workforce. However, policy decisions taken in these areas are interconnected to national policy shifts in Australia's broader political-economic framework. These developments have also pressured subnational states to succumb to neoliberal policy choices which constrain, to at least some degree, their own capacity to employ social policy choices which challenge the dictates of the market.

PART 3

The Australian Welfare State Context

CHAPTER 6

Economy Rules: Institutional Reform and Social Compromise

In place of the image of a well-ordered national economy providing resources for the national state and society we now find the image of an extravagant state and society undermining efficient national economic performance. This change of focus accounts for the paradoxical circumstance that governmental discourse in the wealthiest of all societies now takes it for granted that we can no longer afford the welfare regimes of the postwar dispensation.

Barry Hindess (1998:233)

6.1 Introduction

The regulation theory literature discussed in Chapter 5 suggests that 'social exclusion' discourses and policy responses are symptomatic of the collapse of the Fordist social contract and the unravelling of the institutions of the Keynesian welfare state. At the abstract level of the nation state, changes have occurred within the mode of social regulation that can be interpreted theoretically as a regulatory compression of the wage-labour-welfare nexus. Social welfare, in fact social reproduction considerations generally, have been subordinated to a productivist supply-side economic model to cultivate, ideally, an entrepreneurial and economically-competitive global trading nation. As was shown in Part 1 of this thesis, economic considerations have also predominated in South Australia. While Premier Rann was enthusiastic about his social agenda, the scope for progressive structural change has unfortunately been circumscribed by neoliberal ideology. The Rann Labor government's implementation of a Social Inclusion Initiative at the local level can partly be understood as an attempt to fill the institutional void created by the collapse of the Keynesian consensus. The purpose of this chapter is to explore how policy decisions taken at the national level, reflecting Australia's transition from the Keynesian welfare state to the 'Schumpeterian workfare state', have contributed to the growing wealth polarisation and 'social exclusion' experienced locally – and hence the strategy adopted in response to these trends.

Since Federation, Australia's 'institutional fix' coalesced around trade protection, restricted immigration, centralised wage distribution and the male breadwinner norm. Keynesian philosophy was successfully grafted onto this model during the post-war years. The large majority of Australian citizens generally enjoyed 'full employment' and a comfortable quality of life. However, social welfare provision was residual and minimalist (Davis *et al.* 1993:32 citing Castles 1985) and, further, as the Henderson Poverty Inquiry revealed, those outside the male breadwinner family model could easily slip into poverty (Henderson 1975). The 1970s recession exposed both welfare failures and also the weaknesses of the industrial structure built around protection. Aspects of the protectionist model obstructed mature industrial development and exacerbated foreign indebtedness. The Hawke Labor government took up this challenge by adopting a corporatist framework ('the Accord') through which the necessary reforms could be implemented without undue compromise to Australian living standards. However, concessions to capital interests outside this compact conflicted with and ultimately undermined its effectiveness as a vehicle through which to pursue broader social and economic goals (Conley 2004b; Stilwell 1986; 2000). Incremental shifts in traditional wage-setting arrangements and income security policies shifted the balance of power to capital, thus overcoming earlier institutional obstructions posed by 'protection-all-round', but resulting in increasing instability in the institutional matrix as a whole. As the Australian welfare-state framework fractured, small jurisdictions like South Australia became extremely vulnerable to the adverse impact of market forces. Local state governments found their policy options increasingly constrained as neoliberal policy choices became embedded in the national policy framework.

6.2 Protectionism: Australia's First 'Fix'?

Australia's post-war welfare state regime, like most others, was predicated on a political commitment to 'full employment' enshrined in the 1945 White Paper, *Full Employment in Australia*. This document defined economic policy until around 1970 and various Keynesian-inspired regulatory controls were instituted to pursue the central domestic objectives of high employment levels and stable economic growth (Boreham, Dow and Leet 1999; Capling, Considine and Crozier 1998; Cass 2003:238; Langmore and Quiggin 1994:79; Pocock and

Buchanan 2003)²¹². Full employment was duly maintained for over three decades from 1945, with unemployment levels rarely exceeding three percent (Pocock and Buchanan 2003:71). Although the adoption of a Keynesian synthesis in Australia may have contributed to the nation's post-war boom, arguably the mode of social regulation associated with Jessop's 'Atlantic Fordism' ideal-type was merely superimposed upon what, in Australia's case, was already a well-established and recognisable institutional compact²¹³.

6.2.1 Protection in Historic Context

According to Capling *et al.*, Australia did not fully conform to the Fordist model:

... Australia never really developed a fully industrialized economy and, unlike most other rich industrial countries, Australia's wealth has been generated primarily by its exports of agricultural and mineral commodities. In addition, Australia's labour/capital/government compromise predates the Keynesian welfare state and can be traced back to the system of tariff protection, industrial arbitration and centralized wage fixing which were developed in the early years of Federation. In that sense, it is not clear that Australia can be so easily characterized as being Fordist (Capling *et al.* 1998:10).

Nonetheless, it should be pointed out that the 'Atlantic Fordist' model is an ideal-type with many different adaptations (Jessop 2002b:56). The 'compromise' alluded to above links to the historic *Sunshine Harvester Decision* of 1907 that institutionalised a centrally-arbitrated, needs-based basic wage linked to the maintenance of high tariffs (Emy 1993:59; Jamrozik 2005:154; Deery and Plowman 1991:352; Mendes 2003b:12; Capling *et al.* 1998:121-122²¹⁴). The irreducible

²¹² Ewer, Hampson, Lloyd, Rainford, Rix and Smith (1991:6, citing Whitwell 1986; Hughes 1980) argue that more radical Keynesian ideas, such as socialising national investment, were eschewed in favour of maintaining full employment by fiscal fine-tuning. However, this approach 'never came close to institutionalising the full employment commitment' (1991:6).

²¹³ Davis *et al.*, while acknowledging the various components of the protectionist order, nonetheless take the view that its conceptualisation as a 'historic compromise' inaccurately portrays the 'actual cut and thrust of historical conflicts over resources' as a relatively static state-moderated project rather than an ongoing dialectical struggle. The notion of 'historic compromise', they argue, is 'a *post hoc* rationalisation which owes more to social theory' (Davis *et al.* 1993:32).

²¹⁴ In the *Sunshine Harvester Decision* of 1907, Higgins J commissioned research into the needs of an average family comprising a male breadwinner with three children and established this as an irreducible minimum to be paid to workers. This decision was a landmark in the sense that it overcame the usual employer defence of incapacity to pay. Prior to this, the Commonwealth Court of Conciliation and Arbitration considered

'living wage', indexed to the Consumer Price Index (CPI) and combined with the principle of comparative wage justice, was instrumental in delivering wage outcomes considered to have been the most equitable in the world (Pusey 2003:48; Schwartz 1998)²¹⁵. Thus, because of the centrality of employment regulation, the Australian welfare state came to be known following Castles – as the 'wage earners' welfare state' (Bessant *et al.* 2006:45, citing Castles 1984).

6.2.2 Institutionalised Exclusions

Exclusionary aspects were part of the regulatory mix. The *Immigration Restriction Act* of 1901 remained in force until 1958 with the objective of closing Australian borders to migrants not of European descent. Known colloquially as the 'White Australia policy', the purpose of this sanctioned racism was to ensure that, firstly, Australia remained a 'white' outpost of Europe, and, secondly, to prevent low-cost labour from under-developed countries from entering the country, and thereby threatening Australian living standards by forcing wages down (Davis *et al.* 1993; Pocock and Buchanan 2003 citing Macintyre 1985:55-57)²¹⁶. In addition, the wage-earners' welfare state was predicated on the norm of white male supremacy and the male breadwinner principle; as a general rule women were economically dependent upon male relatives, or became low-paid secondary earners. The male breadwinner model was 'deeply entrenched' (Wiseman 1998:62). The labour market was segmented along gender lines, with jobs designated 'female' attracting only half the male rate (which imposed severe financial disadvantage on those single women forced to work). Further, women were commonly required to resign from their employment upon marriage (Probert 1989). Until the post-war years, various groups unable to work enjoyed no alternative form of security; 'single parents, non-wage earners and Aboriginal people' became society's 'losers' (Davis *et al.* 1993:32). Those excluded from the labour market, either through some form of discrimination or during periods of mass

applications by employers for tariff exemptions under the *Export Tariff Act* 1906, granted on evidence that employers paid fair and reasonable wages to their employees. Thus the *Harvester* precedent obviated case-by-case hearings (Deery and Plowman 1991:352).

²¹⁵ Pusey (2003:48) refers to the post-war years. However the same point has been made about earlier periods in the nation's history (Buckley and Wheelwright 1988).

²¹⁶ Davis *et al.* note that this was highly political terrain; employers favoured a higher migrant intake whereas unions lobbied for lower numbers (Davis *et al.* 1993:32, citing McQueen 1971). Capling *et al.* note that the Queensland sugar industry was an exceptional case in that Kanaka labour was exploited (1998:35).

unemployment like the Depression years, were left virtually destitute: the 'wage earners' welfare state' was not geared to accommodate their needs, nor to provide essentials during times of labour market stress (Greig, Lewins and White 2003:193)²¹⁷.

6.2.3 Labour Market Wage Equity and Fiscal Redistribution

Australia's tradition of centralised wage fixation operated on a cross-subsidisation basis that operated horizontally between occupational groupings and vertically between traded and non-traded sectors of the economy (Schwartz 1998; Schwartz 2003). The benchmark 'fitter's rate' was established in the strongly unionised metals sector and increases to the benchmark flowed on to the other sectors of the labour market on application to the Arbitration Commission for 'comparative wage justice'. In this way so-called 'less-productive' activity such as that undertaken in the service industries and the non-traded sector (including the public service) was able to benefit from export profits through progressively redistributed taxation, its source being a combination of company profits and employee income tax (Deery and Plowman 1991:388-389; see also Chaison 1996:115).

So, while the Australian welfare state has often been aligned with 'liberal' welfare states and characterised as residual, 'intended to provide charitable relief and base entitlements rather than to redress market inequalities' (Davis *et al.* 1993:32 citing Castles 1985), greater structural equality was accommodated by cross-subsidisation which more properly reflects a social democratic approach to distribution:

Cross-subsidization disarticulates contribution and reward, service provision and ability to pay; it is a politically generated recognition that many activities are desirable regardless of the extent to which they can attract market support. Cross-subsidization of regions (from urban to rural), of activities (from technology-intensive to labour-intensive), of organizations (from revenue-generating to revenue-deficient) or of individuals (from successful to unsuccessful) emphatically violates the proscription of economic liberalism (Boreham *et al.* 1999:115-6).

²¹⁷ Of interest, Harris points out that, in response to the Depression years of the 1930s, both the United States and Britain had implemented public works schemes to absorb labour. Australia on the other hand tended more toward 'relief work' schemes on rates only marginally better than the 'dole'. Relief work was palliative – 'after the event' of unemployment, rather than preventative through public works (Harris 2001).

Complementary to wage redistribution was yet another form of cross-subsidisation which ensured that the smaller subnational states in Australia's federated system would have adequate revenue to maintain social standards comparable with those of their larger counterparts. At the time of Federation, states ceded to the Commonwealth their power to raise tariffs and duties at regional level to achieve national unity on Customs and Excise. These taxes generated significant amounts of government revenue as they were linked to regional economic development (Hamill 2004). The Commonwealth Grants Commission established in 1933 applied a principle of fiscal equalisation between the states to enable them 'to meet the cost of services, such as unemployment relief, from their own resources' (Castles and Uhr 2007:105)²¹⁸.

In this way, through the strongly redistributive centralised wage bargaining system and fiscal equalisation, the Australian wage-earners' welfare state served 'as a powerful force for both equality and social cohesion in a world where market forces would otherwise have produced inequality and social unrest' (Saunders 1994:2). Furthermore, Australia's fiscal outlay on social expenditure was, as a result, comparatively less than that of other forms of welfare state (Castles and Uhr 2007; Saunders 1994:2-3)²¹⁹.

6.3 The Post-war Welfare State Environment

After the Second World War, the peace-time environment brought new social and cultural expectations. The reach of the Australian welfare state expanded even though the level of social spending was still relatively low when compared with other nations (Castles and Uhr 2007). The Australian Commonwealth Government had commandeered the States' income tax

²¹⁸ One of the driving forces for a federated system was, in fact, to socialise the risks and benefits of an uneven economy (Bessant *et al.* 2006:221).

²¹⁹ Another factor that may have played a part in shaping this unique form of welfare state was Australia's early colonial dependence on foreign capital and primary commodity exports. A condition of fiscal 'indebtedness' limited the scope for large public outlays on welfare. The labour movement's acquiescence in this arrangement of limited social entitlement combined with worker security emanated from an understanding that the state would inevitably honour the explicit property right of 'public debt' over the implicit property right of welfare benefits linked to citizenship. From this perspective, work-based entitlement offered labour greater long-term security (Schwartz 1998).

systems during the war years, and later retained this responsibility via Constitutional amendment following a referendum (Bessant *et al.* 2006:93). Coordination of the national effort during the war opened the way for Australia, like many western nations, to accord national level government much greater responsibility for economic expansion and social services associated with post-war reconstruction and welfare state growth. Regional and local level governments essentially lacked the capacity to finance these activities on the scale required, having no constitutionally enshrined power to raise significant taxes at their own behest (Hamill 2004:2).

6.3.1 Unemployment Assistance and Social Entitlements

Unemployment assistance was eventually introduced with other universal social benefits during these years, however income transfers for temporary periods of unemployment were based on '*income maintenance* rather than *income replacement* [original emphasis]' because system viability assumed full employment (Carney and Hanks 1994:150; Saunders 2002a:49; Cass 2003:239). People were expected to be looking for work, however, if they were in receipt of benefits (Goodman 1997:27). Australia's benefits system for those outside the workforce was linked to the basic wage and formulated by statute; the bureaucracy had neither the discretion to determine who was 'deserving', nor to discriminate in any other way (Castles 1996). Interaction between the tax and transfer system achieved a standard of vertical equity, and new entitlements were introduced for those whose circumstances precluded labour market activity. Universally accessible age and invalid pensions had been introduced early in the 20th Century. To these were added various benefits for women with dependants, tax deductions for families with dependent children, and child endowment (Cass 2003:239). Bessant *et al.* explain that, in line with Keynesian principles, income tax rates were levied 'and for the majority for the first time' to socialise investment in these services and thereby assist in the maintenance of full employment (2006:94).

Welfare beneficiaries within all claimant categories were eligible for income support provided that their income and assets fell below a generous given threshold. Means-testing applied, but only in a way that excluded the most affluent (Castles 1996). Important to note, in light of later

developments, is that the labour market and the welfare system operated in mutually exclusive spheres. This was as much to reinforce worker security as to ensure that those who were incapacitated for work were not forced into demeaning or substandard jobs to avoid destitution (Carney 2006b).

6.3.2 Expanded Immigration

For reasons of defence and post-war economic expansion, immigration levels were increased significantly from 1945²²⁰. While initially immigrants were sought from English speaking countries, later groups came from Europe, and by the late 1950s the White Australia Policy had been gradually dismantled. The economic integration of Australia's post-war immigrants occurred along similar lines to Britain's integration of people from its former colonies. Many new immigrant workers took up 'unskilled' and 'semi-skilled' employment in factories and infrastructure development projects, when these forms of work were rejected by the (non-indigenous) native born as 'dirty work'. Frequently the wages from these jobs did not support a family, and migrant women's participation in poorly-paid forms of 'women's' work (generally as 'labourers, production or process workers') was often necessary to supplement the inadequate wages earned by their husbands (Probert 1989:114-5). Hence cultural or ethnic differences compounded the inequitable effects of occupational division along gender lines. It was common practice for non-English speaking immigrants to be churned through dirty and dangerous jobs with poor working conditions. As they gained English language skills and moved on to better positions, more recent arrivals from abroad took their place (Probert 1989:116-7). In this way exclusionary barriers were effectively impermeable for new immigrants, despite churning between various groups over time (*cf* Jessop 2002:49; Silver, 1994:545).

6.3.3 Women and Work

Throughout the post-war period, 'the range of social groups entitled to participate in and be treated fairly in the labour market was broadened to include, *inter alia*, women and Indigenous Australians' (Pocock and Buchanan 2003:267). By the 1950s, women's wages had risen to 75

²²⁰

The legislated commitment to full employment was in part a concession to union concerns about the impact that large-scale post-war immigration could have on wages and working conditions (Probert 1989:113).

percent of the male rate (Probert 1989:100). Pressure from the women's movement ultimately achieved further progressive reforms which were implemented in the 1960s and 1970s – for instance, the removal of 'marriage bars' for female public service employees and equal pay legislation (Goodwin 2003:385; Pocock and Buchanan 2003:269). However, pay equity problems persisted because gendered notions of skills suited vested interests in maintaining the *status quo*. Married women in employment were particularly vulnerable in economic downturns because of entrenched male breadwinner ideology. When unemployment rose dramatically in the 1970s, married women were publicly castigated for taking jobs from men and young people (Probert 1989). Yet for many women forced to work for economic reasons, lack of childcare services and parental leave provisions meant that their only option was to accept poorly paid and contingent jobs (Cass 2003:240).

So, it can be concluded that Australia's 'full employment' climate in the 'Golden Era' was premised firmly on the male breadwinner norm. A woman's primary role was that of wife and mother. 'Full employment' never meant full-time ongoing employment for anyone of working age who wanted work. Economic independence was not possible for the large majority of women because female wages for the same work, or work of the same value, were regulated at lower rates. The workforce was occupationally segmented along gender lines, and particular ethnic groups were consigned to specific forms of work, sometimes exploitative work. It was customary for most women to leave the labour market on marriage and in many cases this was a regulated requirement. In the case of immigrant families, the breadwinner's poorer access to well-paid work generally dictated labour market participation for both partners. Finally, those categories of people who were unable to work qualified for income support that had a legislated nexus with centrally-determined wages. Unemployment relief, because 'full employment' was axiomatic, was unconditionally provided but less generous. In this way Australia's post-war 'Fordist' contract embraced those engaged in paid labour, those in the unpaid work of social reproduction, and those who were incumbents of state support. The 'male breadwinner' model, however, was contingent upon the business sector's protection from international competition.

The dismantling of tariff walls commenced a domino effect which rippled through the whole institutional framework.

6.3.4 The Legacy of Trade Protection

Throughout much of the twentieth century the welfare and living standards of both working class and privileged were protected by the trade barriers that formed the building blocks of Fortress Australia. Trade protection in the form of tariffs and export subsidies can be understood historically as a critical cornerstone of Australia's mode of social regulation, serving an obvious economic function for Australian producers, but at the same time enabling (through the strongly redistributive wage-setting institutions) the preservation of social, cultural and political institutions which came to define nationhood. With no competition from cheap labour and no competition from cheap imports, 'protection-all-round' arrangements enjoyed widespread support, keeping the circuit of capital moving in the right direction:

... the reliance on tariffs was a central part of protection-all-round. Manufacturers wanted high tariffs because this offered them more secure profits than trying to compete overseas. Organised labour acquiesced because a protected market plus a centralized arbitration system made it easier to secure wage increases, which could often be passed on to the domestic consumer in higher prices. The rural producers acquiesced because they also received a form of institutional protection through government subsidies and price support schemes. Governments acquiesced because commodity exports generated the income which met and underpinned the claims made by the separate producer groups (Emy 1993:60).

In the longer term, the convenient arrangement of protection-all-round was not sustainable and created serious defects within the economic structure. These problems intensified throughout the post-war period because of the increasing levels of foreign borrowing and inward foreign investment. While foreign capital expanded industrial development and broadened the employment base, the objective of many foreign investors was to access Australia's domestic markets behind the protection of tariff walls. Local demand for manufactured goods enabled foreign capital to stake out Australia's most strategic and profitable manufacturing industries

automotive, electrical/electronic and white goods at the same time taking control of the lucrative minerals sector (Dyster and Meredith 1990).

Throughout the twentieth century, primary commodities rather than manufactured goods continued to dominate the country's export sector. The narrow export base, together with a continuing reliance on foreign capital and imported manufactures, contributed to serious balance of payments vulnerability (Stilwell 2000). Whereas a number of other countries had used post-war trade protections to develop nascent industries in an active way, Australia's reliance on commodities exports continued, together with growing levels of foreign debt (Bell and Head 1994; Dyster and Meredith 1990; Emy 1993). Australian post-war productivity actually fell, when the transition to an export culture could have been more actively managed:

Despite the material progress made during the long boom Australia apparently fell behind the rate of growth of some other countries with which it was compared. Its exports did not grow as rapidly as world exports: its share of world trade declined. Manufacturing industry was increasingly dependent upon higher tariff protection as it failed to achieve the productivity growth of some other industrial nations. Australia's vast mineral deposits were largely developed by foreign capital precisely because Australian capitalists lacked sufficient commercial expertise and financial resources ... this was an era of missed opportunities (Dyster and Meredith 1990:314).

Whereas revenue from tariffs might have been appropriately redirected back into manufacturing for research and development this was not the case. Government-driven effort towards nation building, then, stopped short of any serious attempt to enhance industry capacity or guide development of a robust and diverse industrial structure (see also Emy 1993:44-45; Boreham *et al.* 1999:25-28).

During the late-1960s Australia's chronic condition as a substantial net importer of elaborately transformed manufactures (ETMs) became acute (Argy 1998:52; Bell and Head 1994; Emy 1993:59-61). In recognition of these continuing problems with trade weakness, the Whitlam Labor government began a program to dismantle trade protections across-the-board during the

1970s, the process being brought to a halt by the government's early and controversial dismissal (Ewer *et al.* 1991:62; Quiggin 1996:25-6). Trade weaknesses persisted throughout 1970s during the years of the Fraser Liberal-National Coalition (Emy 1993:44). Massive government cash injections to various industry sectors throughout this period failed to improve either productivity or export diversity (Leigh 2002).

6.3.5 On the Cusp of Change in the Fraser Years

The crisis within the global economy began to bite during the 1970s, prompting a sea change in policy thinking (Pusey 1991). The loss of confidence in Keynesianism was evident in the Whitlam Government's last budget, as it revealed that elements of the monetarist doctrine had begun to find favour in Labor circles. The subsequent Liberal-National Fraser Government (in office from 1975 to 1983) took advantage of the most severe global recession since the Great Depression to abandon the objective of full employment and address rising inflation with monetarist policies. Fraser's monetarist approach embraced the principle of fighting inflation first, with consequences in a reduction to social expenditure, assaults on the labour movement and attempts to drive real wages down through government intervention in centralised arbitration (Kuhn 2002:110; Langmore and Quiggin 1994:65; Quiggin 1996:26; Stilwell 1986:7,12; 2000:143). Furthermore, while the government committed to a strong welfare safety net, the fundamental philosophy behind social security thinking was to promote individual independence. Hence, the principle of 'selectivity', rather than universal access, informed broader welfare provision (Mendes 2003b:23). These years were fraught with industrial unrest – as much about wages as employment security. Fraser's efforts to contain wages were partly in response to a real 'wage overhang' whereby workplace productivity had lagged behind wage levels in a number of Australia's industrial sectors (Argy 1998:37; Langmore and Quiggin 1994:65; Quiggin 1996:26). When employers responded by shedding labour to restore profitability, unions in the more militant sectors understandably mounted industrial action in defence of job security (Kuhn 2002:115). In other instances, unions reacted to the persistence of high inflation levels by striking over wage issues (Cook 1992:152; Deery and Plowman 1991:53-56; Stilwell 2000:145). In response, the government not only implemented a wages

freeze across-the-board (Carney, S 1988; Stilwell 2000:145), but also amended the *Trade Practices Act* to outlaw secondary boycotts, thus weakening labour movement solidarity (Carney 2006b). According to Stilwell, Fraser's unpopular program neither contained inflation nor unemployment; furthermore, the burden of these policies fell predominantly on the working class in the form of reduced wages – spread more thinly because of social spending cuts (2000:145). By 1981-82 a further global recession had pushed the national unemployment rate to a post-war peak and job losses in the manufacturing sector alone approximated 100 000 (Argy 1998:39; Langmore and Quiggin 1994:66). Prior to the 1983 general election, there were signs that the economy was worsening: an unemployment level of 10.1 percent, an inflation rate of 11.2 per cent, an economic growth figure of one percent and 'sharply declining productivity in a wide variety of consumer goods' (Iyer 1983:1). Further, the effects of trade imbalance had compounded Australia's huge foreign debt, triggering a balance of payments crisis (Dyster and Meredith 1990).

In essence, the particular form of Keynesian economic management adopted in Australia had produced a distorted industry structure that provided key decision-makers with the justification for a paradigm shift in policy directions. The high trade barriers maintained during the post-war period – without any *quid pro quo* imposed on industry – resulted in a narrow export base, and corresponding reliance on sophisticated imports and foreign capital. Hence poor terms of trade fed into balance of payments problems. This had reached a crisis point by the late 1960s, and while Whitlam began to implement a systematic tariff reduction program, this was discontinued by Fraser. Fraser's concessions to industry failed to achieve greater export diversity, and his attempt to lift productivity via a strategy of fiscal tightening, suppression of wages and weakening union power was both unsuccessful and unpopular, heightening industrial tensions. By the 1980s, as the debate on restructuring intensified, Australia was experiencing double digit figures in respect of both unemployment and inflation. As the 1983 election approached, productivity had dropped to an all-time low and balance of payments problems continued to cast a shadow over the economy.

6.4 Labor and the Accord: Attempting a ‘Second Fix’

The adversarial culture of Australia’s industrial relations system and the frequent conflicts over wages and conditions became factors associated with Australia’s poor economic performance (Emy 1993:87). During the 1970s, Bob Hawke, as President of the Australian Council of Trade Unions (ACTU), had begun to canvass interest in a more consensual form of industrial negotiation that aimed to relieve these tensions and forge a common interest between the parties in lifting productivity (Stilwell 1986:9). In other words, it was an attempt by Hawke to forge a new, more effective, institutional compromise, a ‘second fix’. This culminated in a corporatist-type compact between the ACTU and the Australian Labor Party (ALP) which was negotiated while the latter was in Opposition (Greig *et al.* 2003:224; Langmore and Quiggin 1994:40; 66). The *Prices and Incomes Accord* (‘the Accord’) thus became the centrepiece of Labor’s 1983 election platform, and formalised the partnership between the political and industrial arms of the labour movement²²¹. The ALP, led by the high profile Hawke, ultimately achieved a landslide majority after eight years in opposition.

Whereas Thatcher was overtly hostile to Britain’s unions and contemptuous of the ‘nanny state’ institutions of the post-war period, the Australian electorate, according to Green and Wilson (2000), has traditionally given no such mandate to its own government to embark upon such a course. Hawke, coming to office around three years after Thatcher (and replacing a conservative, rather than a political left, regime) aimed to reconcile market directions with progressive social outcomes (Whitwell 1994:219). Labor would have been unable to consolidate a middle-ground consensus without blue-collar allegiance (particularly as voting in general elections is compulsory in Australia). There was nonetheless a need for Labor to avoid charges of profligate spending and comparison with the ill-fated Whitlam Government (Green and Wilson 2000). Yet while Labor’s capacity to negotiate common ground between such diverse groups as ‘senior Labor politicians, trade unions, some sections of business, consumer bodies, greens

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Left factions within the ALP were nonetheless opposed to the Accord fearing institutionalised wage discounting (Ewer *et al.* 1991; Kuhn 2002:117). Further, not all Australian unions were affiliated with the ACTU.

and social welfare agencies' arguably circumvented 'a sharp lunge towards Thatcherism', the government's rightward policy drift as the decade matured is undeniable (Argy 1998:231-232).

6.4.1 The ALP-ACTU Prices and Incomes Accord

The Accord had considerable potential to provide a new 'institutional fix' in the regulationist sense, that is, through a compromise between the capital and labour, to establish a coherent policy framework through which to break continuity with the historic protectionist arrangements yet still pursue more progressive social objectives. In the event, it served to consolidate a deregulation agenda which worked to the detriment of labour. Dabscheck argues that that the emergence of the Accord itself, which reinforced union legitimacy, actually catalysed the organisation of capitalist interests which ultimately led to its downfall (2006: Online). In initial form, the Accord retained a Keynesian ethos. Its stated objectives were the restoration of full employment, renewed commitment to wage-earner security, maintenance of tariff protection until unemployment rates declined, and the reintroduction of centralised wage indexation (Ewer 1991:52)²²². The focus was 'jobs first', unemployment being given at least as much priority as curbing inflation (Davis *et al.* 1993:228; Deery and Plowman 1991:335). In the interests of creating a more productive, profitable and internationally competitive trading sector, the Accord's main purpose was to contain real wage growth without union militancy. Concessions granted to the union movement for this sacrifice included: the full involvement of ACTU affiliates in industry planning and restructuring strategies; price control with wages indexed to the CPI; and increased 'social wage' entitlements (defined in the Accord as 'expenditures by government that affect the living standards of people by direct income transfers or provision of services' (Evatt Foundation 1995:169 quoting the *Accord*)²²³. In this way, living standards were to be maintained in spite of more moderate increases in nominal wages.

²²² Various models of centralised wage fixation, incorporating consideration of both wage levels and living standards, had been adopted at various stages throughout the twentieth century. However, during strong economies, unions were able to achieve wages at more attractive levels outside the Industrial Relations Commission. A system of indexation, incorporating various institutional changes along the way, was in place from 1975 to 1981 during which time the Fraser regime removed several institutional supports that were fundamental to its effective operation. Indexation was abandoned by Fraser in 1981 in order to contain wages by utilising a more decentralised bargaining system (Deery and Plowman 1991:360-366; Greig *et al.* 2003).

²²³ The social wage provides greater social security by a process of *decommodification* which, to quote Esping-Andersen, 'occurs when a service is rendered as a matter of right, and when a person can maintain a livelihood without reliance on the market' (Esping-Anderson 1990:22).

The Accord was nonetheless silent on the matter of a 'universal welfare system' (Ewer *et al.* 1991:62). This implies that the generosity of Labor's social policies, including income transfers, would invariably be linked to a productivist agenda. For this reason, it might be expected that the maintenance of full employment and a high tax regime would be paramount in the preservation of Australian living standards.

The move from a regulated system towards a policy agenda influenced by neoliberal ideology began with the currency float of 1983. Labor's fiscal austerity pact with business known as 'the Trilogy' was also influential in forcing greater reliance on market mechanisms (Stilwell 2000). Discussion will now focus on these issues, that is, financial deregulation and the Trilogy, before turning to other aspects of the Accord and Labor policies, namely, trade liberalisation, public sector reform, and the demise of centralised wage-setting.

6.4.2 Financial Deregulation

In December of 1983, Labor took the decision to float the Australian dollar on the foreign exchange, deregulating the banking and finance sector early in the following year. More liberalised financial markets meant that regulatory adjustments within other components of the nation's regulatory institutions would be inevitable, for the finance system impinged upon every aspect of the productive economy (Capling *et al.* 1998:56; Langmore and Quiggin 1994:67). In relinquishing regulatory control over exchange rates, capital movement and bank lending levels, the government forfeited much of the armoury used previously to achieve policy goals such as full employment (Capling *et al.* 1998:50). For adherents of Keynesian economic management principles, this step was the proverbial 'thin edge of the wedge'. Financial deregulation not only reduced the government's ability to control the macro economy, it also represented a symbolic turning point towards neoliberalism, 'an acceptance that the prejudices and values of foreign exchange market speculators would henceforth dominate economic policy' (Langmore and Quiggin 1994:67-8; also Boreham *et al.* 1999:87-88).

Labor's conversion to financial deregulation was all-embracing,²²⁴ leaving only official interest rate adjustment to smooth cyclical fluctuations. This had profound macro-economic and distributional consequences. The absence of prudential lending controls encouraged the growth of both business debt and personal credit levels; borrowing costs escalated for ordinary householders while investment returns decreased; speculative borrowing by 'paper entrepreneurs' ignited a property assets boom (inflating housing affordability); and increased access to foreign credit reinforced current account pressures (Langmore and Quiggin 1994:72). Financial regulation by interest rates alone proved to be incapable of moderating the worst impacts of market forces. As official interest rates were ratcheted²²⁴ up to end speculative forays and curb rising inflation, the severe monetary tightening then resulted in major recession driving 'thousands' of farmers and small business holders into insolvency and 'hundreds and thousands of workers' into unemployment (1994:72). Various State Banks also collapsed due to risky lending practices, flawed investment choices, and poor prudential oversight leaving in their wake massive public debt and electoral consequences (1994:71). South Australia's State Bank is a case in point and, as was shown earlier, its political legacy lingers still. In Langmore and Quiggin's assessment, Hawke's 'dogmatic rejection of anything that smacks of intervention' led to 'serious misjudgements' at every point in the economic cycle (1994:75). Ultimately, the departure from a Keynesian-style regulated economy to a more market driven system significantly restricted government expenditure – on both social and economic policy initiatives.

6.4.3 The Trilogy

In 1984, Hawke gave an unqualified assurance to business that taxation, government expenditure and budget deficit ratios would not increase relative to the Gross Domestic Product (GDP). The Accord had been implemented in part to cement Labor's traditional relationship with its union constituency by assuring the latter's formal involvement in broader economic decision-making processes (Green and Wilson 2000:75). However, this arrangement quickly took on tripartite dimensions after the Economic Summit held during Hawke's first year of office. The Summit established a precedent for the dilution of Accord commitments in other forums

²²⁴ Beinefeld argues that the *extent* of regulation is a political choice; many successful economies retain considerable regulatory control over their finance systems (Beinefeld 1996).

involving government, union and business representatives (Stilwell 1986). The Business Council of Australia (BCA) formed in 1983 was almost certainly an attempt to countervail union influence on government. The BCA 'was remarkably effective at shifting the centre of gravity in both industrial relations and economic policy during the 1980s and 1990s' (Boreham 1999:211 citing Bell 1997:201-8; Dabscheck 2006)²²⁵.

Throughout the Accord years, the government held firmly to its pact with business – the Trilogy – with the ratio of 'social expenditure as a proportion of GDP hardly moving' (Ewer *et al.* 1991:32). Stilwell aptly describes the Trilogy as a 'self-imposed fiscal straightjacket' which placed the Accord's social wage objectives in direct conflict with budget policy (Stilwell 1986:15). Commitment to the Trilogy rapidly eroded government's capacity to honour its obligations under the Accord. Whereas investment on the social wage increased significantly in Labor's first two budgets, it was thereafter abruptly scaled back, reversing the progress achieved earlier (Stilwell 1986:69-75; 2000:143; see also Boreham *et al.* 1999:15).

Ironically, the preoccupation with deficit reduction constrained the spending capacity to secure the macro-economic stimulus required to maintain an expansive social program (Bryan and Rafferty 1999:101; Evatt Foundation 1995:176; Stilwell 1986:74). Argy comments that, for the second half of the decade, 'the dominating constraint on growth was concern (almost hysteria) about the balance of payments and external debt, reinforced by fears of adverse effects on inflationary expectations'. A sanctioned level of unemployment was ultimately the trade-off, monetarism having re-emerged as a proxy for employment policy within a mere two years of the Accord's implementation (1998:42). As 'national competitiveness' moved up on the list of government priorities, active intervention in industrial restructuring moved down (Stilwell 2000:143).

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Pressure to emulate the Thatcher/Reagan deregulatory frenzy emerged from any number of sources including the newly organised business sector, the new right movement, and key policy advisors within bureaucratic circles, particularly those from the Industries Assistance Commission and Treasury who were intellectually inspired by free-market orthodoxy (Green and Wilson 2000:64; Mendes 2003a,b; Pusey 1991). The mainstream media was also pivotal throughout these years in shifting popular opinion to the right and mounting a 'discursive assault' on alternative voices (Cahill 2004:13; Evatt Foundation 1995:19). The neoliberal movement was strongly supported by media proprietors, who not only lent substantial financial support but in many cases were represented on think tank boards (Cahill 2004:15).

6.4.4 Trade Liberalisation

Confronted by persisting poor terms of trade figures in 1985-86, Labor announced its intention to scrap virtually all tariff measures by the end of the century. Tariffs were initially decreased quite slowly, but the pace accelerated after 1987-88 despite protest by both the union movement and some elements of business (Leigh 2002:495-7). The promised industry assistance packages failed to materialise in a number of areas. As neoliberal ideology strengthened its foothold within government policy circles, it was argued that interventions of this nature 'distorted' the market, and attention should henceforth be focused on micro-economic reform. Notwithstanding some marginal gains in manufacturing efficiency, intractable problems at macro level stubbornly persisted into the 1990s:

Australia still runs a very large \$32.8 billion deficit in ETMs, manufactured imports have increased their share of the Australian market from 20 per cent to almost 35 per cent since 1980-81 and the export surge is narrowly based in terms of the number of firms that are exporting with only 10 per cent of manufacturing companies and less than 2 per cent of service companies currently exporting (Evatt Foundation 1995:181 citing AFMEU, 1994:14,21).

In deregulated sectors of the economy labour shedding became commonplace (Catley 1996:151-2). The antipathy of the policy-makers to 'picking winners' undermined import replacement potential²²⁶, weakened inter-firm linkages, and damaged Australia's already fragile technological base (Emy 1993; for similar accounts see also Boreham *et al.* 1999; Capling *et al.* 1998:58; Stilwell 2000:143). At best, any notable improvements were achieved at huge cost, and at worst the structural weaknesses manifest in an over-reliance on commodities exports persisted (Capling *et al.* 1998:59)²²⁷.

²²⁶ An extremely high volume of manufacturing inputs, particularly, the highly-sophisticated variety, are sourced from overseas. Antipathy to 'picking winners' meant that nascent industries with import replacement potential (and so a source of employment) could not be targeted for R&D, skills-building, assistance with venture capital loans and like forms of support.

²²⁷ Notably, as of 2006, the position had actually deteriorated further under the hands of the Howard Coalition (Beazley 2006).

Financial deregulation accelerated the trend towards deindustrialisation because of absence of controls to channel productive (as against speculative) investment. Credit-driven speculative activity therefore further spurred inflation (Mitchell 1994:24). As the 'structural imbalance' in the economy worsened, jobs moved from the traded sector of the economy (export products) to the non-traded sector of the economy (domestic goods and services). Employment levels therefore remained sensitive to balance of payments problems. New jobs that emerged were often not labour-intensive, or were not located where labour displacement had occurred, or required quite different sets of skills (Catley 1996:151). Therefore long-term unemployment also rose while coinciding skills shortages fuelled wage inflation panic (Ewer et al. 1991:27). In respect of the jobs generated in the services sector, Capling *et al.* make the point that:

[T]he reality is that many of these jobs (tourism, banking, data processing and personal services) are part-time, low-skilled and low-wage, and are certainly no 'better' than the jobs that were lost in manufacturing. In addition, the twenty-five year decline of Australian manufacturing continues, relative to other sectors of the economy. ... And to a great extent the decline of manufacturing has exacerbated Australia's chronic current account deficit: while government publications in the early 1990s proclaimed the spectacular increase in exports of high value-added manufactures, they remained mute about rising import levels in the same sectors (Capling *et al.* 1998:59).

What has become evident since then is that many of the lower-paid services jobs, for example call centre operations in finance, banking, telecommunications and so on, have also been moved offshore, particularly to India where well-educated English speakers are in abundant supply.

The double-digit unemployment figures of 1982-83 receded over the remainder of the decade, but certainly not to post-war levels. Furthermore, full-time jobs grew at a rate of only two per cent, with part-time jobs growth (in jobs largely occupied by women) reaching over six per cent (Ewer et al. 1991:23). This trend has persisted over time. Cass recently highlighted that Australia's overall proportion of 'precarious work' compared with 'full-year, full-time' work is now amongst the highest on the OECD league scale (2003:242).

Union strength also suffered as a result of structural shifts in the economy. Manufacturing had traditionally been a union stronghold, whereas the new service sector jobs which emerged – often part-time, temporary and casual and characteristically occupied by ~~women~~ ^{men} traditionally been difficult to organise. Furthermore, many new ‘greenfields’ industries lacked existing union coverage so were similarly difficult to organise (Peetz 1992).

Essentially, the Hawke Government had the opportunity, through the Accord, to implement the sort of regulatory environment which had proved to be effective in some of the stronger European economies and as was advocated in *Australia Reconstructed* (Capling et al. 1998:81). Yet the most prominent figures of the Labor government, Hawke and Keating, sidelined these recommendations, preferring to endorse a neoliberal position more aligned with the free market policies of Thatcher and Reagan (Capling et al. 1998). As various ‘Fordist’ institutions fell, this meant (as Langmore and Quiggin 1994 argue), that Labor had surrendered control over economic and social conditions. From a regulationist perspective, the ‘second fix’ became increasingly more unstable, with greater emphasis placed on micro-economic reform to improve national productivity and global competitiveness. This led to further ‘hollowing out’ of the welfare state as Labor sought to secure optimal conditions for capital by compromising social conditions (*cf* Jessop 1994b:263).

6.4.5 Public Sector Reform

By the late 1970s the public sector had also become a target for ideological assault from welfare state detractors keen to liberate the market from virtually any form of regulatory control (Capling *et al.* 1998:52-3). A Review of Commonwealth Functions in 1981 initiated public sector ‘pruning’ as a common feature of the budget process and, by the 1990s, reducing the public sector was seen as a precondition for economic prosperity (Davis *et al.* 1993:114; Johnson 1996). Funded through the tax levied on wages, the public sector represents a cost of production to employers (and, according to Schwartz (2003), traded sector employers in

particular had a strong vested interest in its reform)²²⁸. The Australian public sector is not and has not been large by international standards, quite the contrary (Argy 1998:207; Bell and Head 1994:20; Davis *et al.* 1993:113). Nonetheless, 'smaller government' arguments quickly dominated reform debates, underpinned by 'public choice theory' which, decrying welfare state uniformity, advocates consumer choice in welfare goods through the introduction of market mechanisms (Capling *et al.* 1998:53; Mendes 2003b; Schwartz 2003). Public sector reform progressed on number of fronts with a view to introducing competitive pressures to 'sheltered' public sector operations and making them more 'business-like' (Capling *et al.* 1998:84; Emy 1993:75; Langmore and Quiggin 1994:34-5; Schwartz 2003). The model of 'new public management', or 'managerialism' incorporated:

- The imposition of private sector-type wage disciplines on public sector labour, including localised control over human resources management, removal of tenure for executive and senior appointments, compression of classification levels, the introduction of performance criteria linked to pay scales, fringe benefits and other performance-based incentives, the introduction of more 'flexible' working hours (*ie* unpaid overtime) and so on. These changes were also imposed at state and territory level public sectors through Accord-based wage negotiations²²⁹.
- The replacement of 'block budgets' with the requirement for transparent, auditable and competitive unit costing; the introduction of cost recovery through 'user pays' mechanisms; and the imposition of permanent budget cuts as a fiscal disciplinary tool.

²²⁸ Through its part in decommodifying various goods and services, and its potential utility as an 'employer of last resort', the public sector undermines the intensity of labour market discipline that could be imposed by high levels of unemployment. Operating as a monopoly provider of collective goods and services in what would otherwise be a contested marketplace, it is not subject to competitive pressures and is therefore inefficient, a drain on the productive economy. A further claim is that, because bureaucrats themselves are likely to behave as self-interested economic actors, the public sector is always prone to 'empire building'. Finally, it 'crowds out' private sector investment and entrepreneurial opportunity that would otherwise spur growth – or so the allegations go (Davis *et al.* 1993:105-127; Stretton and Orchard 1994).

²²⁹ These changes were required to achieve productivity increases under the two-tier wage bargaining process (Scharpf and Schmidt 2000:112-3).

- Overall pressure to reduce costs through outsourcing, commercialisation and privatisation.

There is no reason why improved efficiency and responsiveness across the public sector should be an unrealistic expectation on behalf of government. However, the war on public service rigidities quickly became infused with ideological zeal, and 'improving efficiency' came to signify 'cutting back public services or ... placing their implementation in the hands of private contractors' (Langmore and Quiggin 1994:85).

Throughout the 1980s, corporatisation and privatisation of a number of major government assets such as the Commonwealth Bank and Qantas defied Labor's earlier commitment to public ownership and the socialist principle (see Langmore and Quiggin 1994:66). The privatisation program intensified in the 1990s under the Keating Government with the introduction of a National Competition Policy (Catley 1996:123).

These policies had a negative impact on social justice outcomes in several ways. In terms of the labour market impact, significant structural unemployment occurred as jobs within the public sector were sacrificed to achieve cost savings (Catley 1996:151). Catley notes that many of the newly privatised jobs offered lower pay and less attractive conditions²³⁰. Moreover, at a time when overall unemployment was trending upward, the public service lost its Keynesian function as employer of last resort. Labor's rapid conversion to 'efficiencies' arguments reoriented the Australian state towards a much more commodified system (Cahill 2004; Carney and Hanks 1994; Mendes 2003b). Tighter targeting of social spending replaced what previously was a more universalist approach to provision of welfare goods and services and has therefore created greater social inequality (Stilwell 2000). Labor's strategy of increasing means-testing while raising benefits for the least well-off was arguably successful in protecting those on the margins (Cass 2003; Harding 1997). However, the point is that the cultivation of low income tax

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While his view is that the government's economic imperative should override any consideration of wage equity in this regard, it suggests that discounted wages are a prerequisite for production 'efficiency'. This is, of course, a highly conservative position, reflecting the influence of free market thinking on the Labor right.

expectations must inevitably elevate market-based policy choices over public provision (Barry 2002). Finally, as the public sector has traditionally enjoyed high union density, the government's policy of downsizing, privatisation and outsourcing took a considerable toll on union strength (Peetz 1992).

Public sectors at state and territory level were also subjected to these sorts of changes through the Structural Efficiency bargaining process (Scharpf and Schmidt 2000). Successive rounds of severe Commonwealth funding cuts to the states and territories followed the 'banana republic' fiscal crisis in the mid-1980s (Broomhill *et al.* 1995:18; Hawker 2006:255). The Commonwealth had already moved to deregulate, privatise and introduce competition into its own non-traded sectors, and sought to subject the subnational jurisdictions to similar treatment, using Commonwealth-State tied funding incentives to drive a more competitive, market-driven environment. The states were generally amenable, some nonetheless concerned that newly-introduced quasi-markets would reduce revenue receipts from state public monopolies (Keating and Wanna 2000:132). The Keating Labor government's National Competition Policy introduced in the early 1990s essentially forced state governments to review any remaining public monopolies and regulatory restrictions on market operation. Capling *et al.* argue that the Competition Principles Agreement was very much a 'consensus' forced on the states. From that point onwards, government intervention in markets (that is, direct provision of services or regulatory restrictions on competition) has been considered irregular. Rather there is an onus on government to prove that the (intangible) social benefits of government 'interference' outweigh the (tangible) economic costs of restricting the market. As a consequence, state governments lost the capacity to set charges on their utilities rates, to cross-subsidise for community benefit, and to generate revenue from government-operated assets (Capling *et al.* 1998:92-3).

As with the Commonwealth public sector, the imposition of these cost pressures has also meant that state and territory public services are less able to exercise the role of 'employer of last resort', or indeed, engage in other forms of public sector job creation. In addition, it needs to be

acknowledged that, in line with prevailing ideology and the real difficulties imposed by 'markets' acting as the barometer on economic 'confidence', containment of public service staffing is integral to individual states' own fiscal austerity commitment. Having very limited capacity to raise revenue, they are left extremely vulnerable to manipulation by the Commonwealth as well as to the disciplinary effects of international ratings agencies.

6.5 The Demise of Centralised Wage Fixation

Given momentum by the Accord, the erosion of centralised wage fixation occurred incrementally. This meant in effect that the unique character of Australian wage-setting policies was subjected to 'death by a thousand blows'. By the time Paul Keating succeeded Bob Hawke as Prime Minister, institutional obstacles had been cleared for enterprise level bargaining and, even later, employment contracts negotiated on an individual basis. By the 1990s, the ACTU leadership, reflecting the interests of its most powerful members, strongly supported Labor's thrust towards enterprise bargaining, in the process overriding the concerns of weaker affiliates. The industrial relations shifts under Keating consequently became much less distinguishable (although with important differences) from the alternative later offered by the Coalition (Mack 2005; Quinlan 1998). While the Accord process enabled the union movement's peak body an opportunity to be involved not only in wage negotiation but also in broader economic and strategic issues, often there was little interaction between the leadership and the 'grass roots' membership. As a consequence, many rank and file members, and some unions, felt detached from the decision-making process as well as opposed to the directions taken at the peak level (Evatt Foundation 1995:265). Stilwell notes that the Accord relationship itself undermined class solidarity, had a demobilising effect upon the union movement as a whole, and left its flanks open to attack from any future government whose agenda might be hostile to labour interests (Stilwell 2000:144).

6.5.1 From Indexation to Productivity Claims

Full indexation survived only two Accords. Wage discounting followed a drop in the value of the dollar in 1986, after which full indexation was scrapped for a two-tier model (Ewer *et al.* 1991:26; Evatt Foundation 1995:35). Under these arrangements, while all workers generally qualified for an unconditional first-tier wage increment, the second-tier increase of three percent was made available only on evidence of greater productivity and structural adjustment at enterprise level. Later Accord agreements placed relatively less emphasis on cost of living adjustments and relatively more on productivity and workplace restructuring. The notion of the 'living wage' enshrined in the *Harvester Judgement* of 1907 thus lost its currency as a central canon of national wage fixation. Furthermore, subsequent Accord formulations – totalling seven throughout Labor's term – made no compensatory 'social wage' provision (Stilwell 2000:142).

By the late 1980s, the Accord had become an instrument to drive wages down for a majority of Australian workers. Emy notes that between 1983 and 1991, real wages fell by 'at least 2 percent' with more severe impacts suffered by those at the bottom of the labour market (Emy 1993:90-91)²³¹. Moreover, a strategy of substituting income tax cuts for wage increases created other equity problems: benefits flowed only to those in paid employment, and the reduced tax intake compromised government spending on social wage initiatives. As social security spending had consequently become highly selective, many in the labour force gained no compensation at all for wage restraint (Ewer *et al.* 1991:26). Social security recipients fared even worse, as non-indexed welfare transfers 'set at 20 percent below the poverty line' derived no benefit from the wage-tax trade-off applying to waged workers (Stilwell 1986:55-6). The effect of the tax and transfer system did, however, provide some protection for those in situations of extreme disadvantage (Cass 2003; Dow 2006).

While it can be conceded that superannuation compensated some workers for wage restraint in the form of deferred earnings, this consolidated work-based inequalities, marginalised the aged

²³¹ Dow contests this position, maintaining that real wages were maintained between 1985 and 1995 as a result of social expenditure outlays increasing 5 percent relative to all outlays (which decreased by 2 percent) (Dow 2006:143). He nonetheless concedes the growth of inequality throughout this period.

pension, and took no account of vulnerable groups such as women engaged in caring responsibilities and people forced to take up precarious work (Bryson 1996:36; Ewer *et al.* 1991:37; Stilwell 2000). Financial disadvantage during working life thus extended inequities into retirement years.

6.5.2 Towards Enterprise Bargaining

Pressure for a significantly less regulated labour market intensified from the mid-1980s. Those opposed to the traditionally redistributive system objected that it impeded competition, flexibility, individual effort and market-driven efficiency (Boreham *et al.* 1999:116)²³². The pressure for reform, predictably, came from employer groups, conservative politicians, free-market academics, and the business lobby, ably assisted by influential media commentators²³³. Extolling the virtues of labour market flexibility in other OECD countries, vociferous capitalist interests demanded a more decentralised system of industrial relations. They sought one that reduced the involvement of the Industrial Arbitration Commission in wage-setting, and placed greater emphasis on bargaining at enterprise level. It was argued that wage movements more closely aligned with enterprise-based productivity improvements (and hence more closely aligned also to an employer's 'capacity to pay') would enhance efficiency. Also under siege were the 'restrictive workplace practices' that bound employers under the award system. Employers alleged that these practices undermined managerial prerogative and constrained 'flexibility' (Buchanan and Callus 1993:4; Dabscheck 2006; Emy 1993:89-90). Some employers also objected to third party intervention in wage regulation and dispute settling, charging that industrial relations tribunals were complicit in hindering the implementation of productive reforms (Chaison 1996:112). Not only Labor but also the ACTU became increasingly sympathetic to these arguments (Quinlan 1998).

²³² Structural inequality is condoned by adherents of neoliberalism on the basis of the tension between equity and efficiency. Stilwell (2003) has revealed this to be a flawed position. Argy, from a more conservative perspective, nonetheless argues a similar position (1998).

²³³ These powerful collective interests are often described as the 'New Right', which is both an ultra-conservative pro-market ideology, and a movement to dismantle any obstacles to the free market project (Evatt Foundation 1995:19).

Decentralisation of the industrial relations system proceeded more vigorously from 1989 with a major rationalisation in the number of industrial awards, and provision for direct wage bargaining between employers and employees at enterprise level (if preferred, without union representation). This shift signifies considerable consolidation of capital's power base. Agreements between the parties still required Industrial Relations Commission ratification, however the IRC's role in dispute settlement was substantively negated as punitive fines on unions would apply for industrial action undertaken during the life of an agreement (Evatt Foundation 1995:37). In 1991 and 1992 changes were introduced in relation to the 'no disadvantage test' which provided further flexibility in terms of pay-and-conditions trade-offs, but in fact which increased the potential for disadvantage to occur over time (Waring, de Ruyter and Burgess 2005).

Many of the changes to the federal system were also replicated in state and territory conciliation and arbitration systems. That is, from the late 1980s, politically conservative state administrations commenced a process of more 'flexible' wage negotiation, limiting the scope of tribunals, removing 'closed shop' clauses, sidelining unions and curtailing their powers (Quinlan 1998:77). This was also a time when jurisdictions heavily reliant on manufacturing, like South Australia and Victoria, suffered a disproportionate loss of jobs as tariff walls came down. According to Brain and Spencer (1993:36), these states were actually encouraged to embrace 'service-based' economies. Jobs in this sector, as stated earlier, were in general neither as well-paid nor as secure. So, labour market protection was diminishing at the same time as poor work in the services sector was on the increase in these jurisdictions.

The more decentralised system accelerated the sorts of wage polarities that had already begun to emerge under the two-tier arrangement²³⁴. Ewer *et al.* (1991:26-27) explain how

²³⁴ The effect of this was to advantage workers in better-organised and more militant unions with strong bargaining power, who were able to negotiate the second tier relatively easily. For those less fortunate, with fewer workplace restrictions to be surrendered, fewer production efficiencies to be claimed, or where productivity was hard to prove, a second-tier increase frequently became a wages pause (Ewer *et al.* 1991:27). Worse, many jobs were actually lost through the tendency of some employers to interpret the Structural Efficiency Principle guidelines as an exhortation to downsize (Catley 1996; Timo 1989).

decentralised wage-setting strategies entrench labourist-oriented divisions, hence undermining solidarity across the broader working class:

[Labourism's] organising principles throw up the skill shortages it intends, an objective which, as we have seen, was duly achieved in the 1980s. Yet these skill shortages are not of a 'class' nature, as they operate only selectively, while 'unskilled' workers face continuing pressure from the equally 'unskilled' unemployed. For these workers, falling into unemployment is disastrous in the absence of more vibrant and universal welfare system, so that concessions on wages take on an air of commonsense if they can be linked to employment growth (Ewer *et al.* 1991:26).

That is to say, whereas working class solidarity is underpinned by a centralised system, 'labourist' divisions can be exploited to discipline those in lower strata jobs and force the take-up of low-paid work by the unemployed. The directions initiated by Labor and the ACTU, from Quinlan's (1998:99) perspective, served the interests only of 'powerful and generally male-dominated unions'. This pertains not only to pay but also to conditions. There is evidence that, since the introduction of enterprise-based bargaining, the gender wage gap has widened, intensification of work has occurred, occupational health and safety standards have been breached, and enforcement of agreed conditions has been an issue— for the most vulnerable in particular. Research has confirmed that 'more decentralised systems devolve to a law of the strong and the weak' and adverse outcomes can be expected by many women, small business employees, young people and non-English speaking immigrants' (1998:98)— in effect anyone who, for any reason, is in a weak bargaining position.

Conclusion

Australia's long-standing reliance upon protection-all-round, a set of arrangements that could be said to represent the nation's first 'spatio-temporal fix', eventually came to a close as national borders were opened to the disciplinary effects of global capitalism. Labor implemented, through the corporatist Accord framework, a mode of social regulation that differed significantly from that of the past. While this delayed the onset of rampant neoliberalism in Australia, Labor's

attempt to suppress class conflict through these new arrangements under the Accord nonetheless shifted the balance of power from labour to capital. The new policy regime brought about the end of centralised wage fixation, moving from fully-indexed wages to a productivity claims model which divided the workforce and damaged the union movement. Other policy choices then entrenched the notion of entitlement based on labour market participation: superannuation marginalised the aged pension, and wage-tax trade-offs reduced the revenue pool for the 'social wage' as well as investment in social security initiatives. Means-tested selectivity, in terms of access to social security, replaced what previously was a relatively broad and unconditional safety net. These institutional changes occurred against the backdrop of low-tariff induced industrial restructuring, which shifted the balance of employment from manufacturing to services. In this way, the bulk of new jobs created were overwhelmingly insecure and poorly paid forms of work. Severe structural unemployment left many without work at the same time as the public sector was no longer permitted to absorb private sector fallout, and in fact public sector restructuring itself actually contracted the employment base further. These developments had a particularly perverse effect in states like South Australia, where macro-level decisions contributed to a serious decline in the manufacturing base, increasing unemployment, and a to disproportionate structural shift towards less-secure forms of work in the services industries. Financial deregulation also had political ramifications in terms of the collapse of state banks: in South Australia, this is still at the forefront of public consciousness. So, it is clear that a significant degree of welfare state 'hollowing out' occurred on Labor's watch. In some contrast with general trends, however, Australia's federal arrangements have facilitated (specifically through tied funding arrangements but also through the Accord process) a consolidation of power at national level rather than the reverse (in contrast, see Jessop 1994a; 1994b; 1999).

The subnational state's policy repertoire and financial capacity to manage social cohesion has accordingly become more constrained because of the entrenchment of neoliberal-type policy regimes within state and territory jurisdictions. Hence, as the Accord's regulatory program gave way, the government lost its capacity to manage properly the structural aspects of the economy,

and sought to achieve social inclusion through active employment approaches which conform with the ideologies of the neoliberal market subject. That is, as will be shown in Chapter 7, these approaches placed emphasis on individual responsibility rather than the responsibility of the government to underwrite full employment through Keynesian-type policies. With the changing of the political guard at federal level in 1996, neoliberal trends intensified.

CHAPTER 7

The Market Paradigm: From Welfare to Workfare to Social Exclusion

Under Work Choices, the imperative to minimise labour costs will spur a race to the bottom and the profusion of insecure, low-paid, poor-quality work. Not only will this strategy fail to achieve full employment, but the economy will be characterised by allocative inefficiency. A low-wage regime represents a subsidy to inefficient firms by enabling them to remain viable. ... In the modern labour market the low-wage worker serves as a macro-economic buffer for both inflation and wider unemployment among the lower- and middle-classes.

Cowling, LaJeunesse, Mitchell, and Watts (2006:229)

7.1 Introduction

The Liberal-National Coalition, under the leadership of John Howard, was elected in 1996 with considerable support from Labor's traditional support base. On the face of it this might seem surprising – given that Howard had openly campaigned amongst other things for further labour market deregulation, tightened eligibility for welfare assistance, further public sector reduction and budget cutbacks (Ward 1996:404). These are not policy choices that sit comfortably with Labor's usual constituents. Yet the economic reforms implemented by the Hawke and Keating Governments had created widening inequalities in the labour market, with industrial restructuring having had particularly adverse outcomes for specific segments of the workforce (particularly in regions like South Australia, which experienced significant industrial decline in the manufacturing sector). Using a divide and conquer strategy to drive a wedge into Labor's traditional electoral base, Howard consolidated his 'Mainstream Australia' campaign by exploiting the social cleavage between the 'forgotten' working-class battlers and the 'undeserving poor', that is, specific social groups such as sole parents, young unemployed, and new immigrants (Wilson and Turnbull 2001; for a similar view see Mack 2005:161). Despite a resounding victory the Coalition failed to gain Senate control and would need to wait until mid-2006 to operationalise its more aggressive ambitions. This chapter begins by briefly outlining

the general directions taken up by the Coalition before examining more specific changes to industrial relations and social security policies. In essence, the Howard Government attempted to reformulate a new, more authoritarian and fundamentalist neoliberal mode of social regulation. The Coalition's regulatory approach was characterised by more commodification, smaller government, a depoliticisation agenda, and consolidation of central power over state jurisdictions (see, for example Argy 1998; 2000; Hamill 2004; Steketee 2005; Wilkins 2004). Neoliberal choices became firmly embedded, further constraining policy autonomy and the scope for progressive social policy choices in subnational jurisdictions. The compression of the wage-labour-welfare nexus, of course, had begun with Labor's active labour market policy. This policy, together with Labor's industrial relations reforms discussed in Chapter 6, enabled the Coalition to implement its socially regressive workfare program with relative ease (although not without consequences). This chapter will commence by outlining the Coalition's broader institutional shifts, then, commencing with Labor's policies, examine Australia's workfare trajectory and the emergence of 'social exclusion' discourses at the national level.

7.2 Market Fundamentalism Under the New Guard

7.2.1 Embedding the Neoliberal Regime

There is little doubt that the Coalition sought to reaffirm and consolidate the sort of neoliberal policy regime introduced by Thatcher, to whom Howard had shown a strong affiliation. The Coalition's commitment to market fundamentalism was all-encompassing, as Wiseman notes, evincing:

... a determination to reduce dramatically Commonwealth involvement in social and community services, ranging from health and dental services, home and community care, migrant support programs, child care, labour market programs, and university facilities and fees [in addition to] an ongoing assault on services provided to indigenous communities (Wiseman 1998:63).

The market had arrived. A few examples are sufficient to illustrate the general thrust of policy directions since 1996. In a move that was seen as a 'tragedy for good government' Howard, immediately on taking office, replaced six public service heads with others more supportive of his neoliberal agenda (Ward 1996:406). Those left were subjected to increasing pressure 'to conform to government notions of social and economic correctness'. Former 'voices of balance and moderation on economic liberalism' were replaced by 'voices of hard liberalism' (Argy 1998:237-8). These changes are argued to have 'americanised' Australia's public sector institutions, concentrating as never before the power and control of the executive arm of government and non-elected ministries (Hawker 1994; Ward 1996). Stilwell cites ABS data showing that 'the number of Commonwealth sector employees fell by 77 400 during the first 20 months of the Howard Government' with further job losses from privatisation, outsourcing and contracting out adding to forced retrenchments (Stilwell 2000:188). There have been significant pro-market shifts in a range of areas previously dominated by universal public provision (Bramble 2004:10). Two in particular are health and education, due respectively to the Coalition's private health rebates and private education funding policies (Doherty 2003; Stilwell 2000:214; Warren, Harding and Lloyd 2005:124). In effect, the government was using expenditure to encourage preference for private education and health at the direct expense of public providers. Commonwealth-State tied funding arrangements have been strategically employed to expand state and territory market sectors (Wilkins 2004); the Goods and Services Tax (GST) introduced in 1999 was used similarly as a lever to enforce low-tax regimes in state jurisdictions. In an economic downturn, this would leave them with little autonomy to pursue socially-just service provision, potentially forcing increased reliance on commodified forms of service delivery (Hamill 2004:11)²³⁵. The GST itself is a regressive tax in that the poor must spend disproportionately more of their income on essential items; at the same time, generous income tax cuts to high income earners, whose consumption habits are least constrained by indirect taxes like the GST, have been a feature of Coalition budgets. This has had highly inequitable distributional effects. Quoting Jamrozik:

²³⁵

An economic downturn would undoubtedly result in fiscal contraction at national level with the pain consequently referred to the states (and this is not unforeseeable, as severe structural problems within the economy have been ignored – see Beazley 2006; Bramble 2004).

The system is unfair because the poorer sections of the population pay higher tax rates than ever before, while for the really affluent strata the level of payment of income tax has always been virtually optional because of the availability of a variety of tax avoidance schemes. The tax avoidance industry employs many times more people than the Australian Taxation Office. Furthermore it needs to be acknowledged that the Coalition government is highly unlikely to change the distribution of the tax burden in order to favour the poorer strata. Such an action would be contrary to the interests of the people who traditionally vote for the Coalition, who expect that the government will protect and enhance their interests (Jamrozik 2005:144).

Jamrozik also highlights that the bulk of tax revenue now comes from indirect sources and, contrary to popular belief, the Coalition taxes and spends equivalent amounts to Labor; the difference is that Labor governments apportion more of their budgets to social needs (Jamrozik 2005:140-141).

The Coalition also committed to bilateral 'free trade' arrangements with the United States in 2006 which, according to analysts, would generate more costs than benefits and constrain social policy choices²³⁶. The Australia-United States Free Trade Agreement (AUSFTA) is anticipated to undermine national sovereignty, lower the bar on foreign investment scrutiny, weaken the country's already poor terms of trade position, damage our reputation in the Asia-Pacific region, and reduce Australia 'from player to pawn' in the international trading stakes (Thurbon and Weiss 2006).

7.2.2 Broadening the Conservative Middle Bloc

Howard, a highly astute political tactician, pursued his agenda with a sustained commitment that goes beyond his economic fundamentalist values. Charlton's insights reveal that the Coalition's social policy agenda was carefully crafted to undermine Labor's electoral power base and 'entrench conservative power' in a way that could not be easily reversed. He cites, for example:

²³⁶ Labor also committed to free trade, but on a non-preferential, multilateral basis in accordance with the General Agreement on Tariffs and Trade (GATT). Early in Hawke's term, Australia was approached by the United States on the possibility of a bilateral agreement between the two countries but as research commissioned by the Government suggested that such an agreement would deliver little benefit and was likely to prove detrimental, the matter did not proceed (Krever 2006:53).

- i) marginalisation of the union movement, from which Labor derives much of its electoral support and a good proportion of its financial resources
- ii) university funding cuts, forcing universities to rely on full-fee arrangements, thereby bolstering economics and business faculties at the expense of academic faculties which might produce the next generation of left intellectuals
- iii) abolition of compulsory student unionism in universities (which has traditionally been an avenue for organised dissent and a potential pathway to radical politics)
- iv) funding cuts to the arts, particularly to the public broadcaster– not only stifling progressive voices, but also engaging the allegiance of powerful commercial media interests
- v) substantial tax incentives for private health insurance, thereby developing a strong private health constituency and simultaneously pressuring the public health system to the extent that it is perceived to have declining middle-class relevance
- vi) increases in public funding for private schools, as the enrolment drift to ‘low cost’ private schools in particular is likely to reflect the choice of aspirational voters (Charlton 2007).

To this list could also be added the aforementioned tax cuts to the upper income brackets; retrenchment of the public sector (a traditional union stronghold); and starving the states (all currently Labor administrations) of policy autonomy on welfare state services through conditional funding grants. This, of course, created more pressure for governments like South Australia to pursue economic growth at any cost.

Arguably the most significant social policy regression has been the consolidation of a conservative workfare regime. At the same time as the inappropriately named *WorkChoices*

legislation was implemented in July 2006, the Coalition legislated additional reforms to the welfare system, building on incremental shifts over the previous decade (Hartman and Darab 2006). It is through the two systems operating *in tandem* that downward pressure on living standards, and the prospects of 'social exclusion' in the sense understood by regulation theorists and others such as Byrne (1999) become more tangible. These changes were, as noted in Chapter 6, set in train by Labor under both Hawke and Keating. These interim shifts in Australia's broader social security framework enabled the Howard Liberal-National Coalition government to consolidate a more aggressive and authoritarian workfare program. Legislation to enforce labour market participation by a broader range of welfare recipients was introduced by the Coalition at exactly the same time as legislation designed to drive down wages and rescind employment rights. At macro level, social exclusion thus emerged in Australia as a policy problem within welfare-to-work discourses, shortly after it attained a profile in Britain through Blair's Social Inclusion Unit. The following discussion traces the gradual consolidation of Australia's workfare regime through the regulatory compression of the wage-labour-welfare nexus. The effect of this has been to enforce labour market participation amongst the vast majority of Australia's working-age population.

Labor's policies will first be examined before turning (in section 7.4.3) to the impact of the confluence of the two pieces of legislation implemented by the Coalition.

7.3 Labor's 'Active Society' Approach

Against a backdrop of industrial restructuring and entrenched unemployment, the view that the income security system should become more 'active' gathered support from around the mid-1980s. While Labor's expansionary budgets of 1983 and 1984 had embodied a number of job creation initiatives through the Community Employment Program, fiscal cutbacks beyond that point created considerable pressure on social security spending at a time when the welfare rolls in particular categories were expanding (Harris 2001). As previously discussed, the unravelling of Australia's industrial relations system, in particular, began to increase levels of social and

economic inequality as the political commitment to full employment was abandoned, unemployment and under-employment increased, and new forms of precarious work emerged.

7.3.1 From Dependency to Participation

Following several OECD reports that advocated a more 'active' role for income security recipients in return for benefits, the Hawke Labor government commissioned a comprehensive review of Australia's income support arrangements in the mid-1980s (Bessant *et al.* 2006:105; Dean 1998:89; Harris 2001:17). The 'active society' approach signalled closer integration between the social security system and income support system, the focus on individual labour market 'activity' eclipsing government obligation to *generate* 'full employment' (Bessant *et al.* 2006:107). The high and persisting levels of unemployment commonplace from early 1980 forced a much greater proportion of people to rely on income security. Cass suggests that, during the period 1980-2000, the proportion of working age people in receipt of social security payments, service pensions or student assistance almost doubled due to 'long-term unemployment, involuntary labour force withdrawal before the normal retirement age, accompanied by increased rates of severe illness and disability, and the joblessness associated with child care responsibilities for sole parents' (Cass 2003:243-4, citing Saunders 2004). The new system assumed the involvement of both men *and* women in the paid labour force. The declining value of the single breadwinner wage forced many women to contribute to family income through labour market activity, which was largely responsible for the labour force participation rate increasing 3.4 per cent from 1982 to the end of the decade (Ewer *et al.* 1991:20)²³⁷.

Changes to the benefits system were designed to encourage the take up or resumption of work by specific categories of people. These included the long-term unemployed, sole parents of older children, and some mature-aged unemployed who, unsuccessful in gaining work after retrenchment, had eventually been shifted to the higher rate disabilities pension (Argyrous

²³⁷

Many of these jobs were poorly paid and with limited scope for career advancement. Ewer *et al.* (1991:20) note that the 'demand' for this sort of employment can arguably be linked to inadequate childcare provision, preventing involvement in more secure forms of employment with better prospects.

2002; Argyrous and Neale 2003). Throughout these years, in line with Labor's decision to support only the most needy, family entitlements for higher income earners were withdrawn; special benefits for lower-income families were harshly means-tested (but at least 'working poverty' was acknowledged); income and assets tests for aged pensions were introduced; and payments for 'dependent children' were discontinued after a child reached 16. This meant that the child's student status was no longer considered worthy of support at the same time as partial fees for university were phased in (Bessant *et al.* 2006:370-1)²³⁸. Longer secondary education was also being encouraged at this time, purportedly to lift the nation's 'human capital', but alternatively representing a convenient means by which to reduce official youth unemployment figures (Bessant 2002). At least with regard to single parents, Labor's entitlement regime continued to acknowledge child rearing as a legitimate reason to receive a benefit. In other words, it enabled a single parent (usually the mother) to exercise the right not to work in the labour market. Yet little regard was given to working women's needs. Provision of childcare services (at least after Hawke's first two budgets) did not expand in concert with women's employment trends (Boreham *et al.* 1999:15; Stilwell 1986:69; 2000:143). Further, Labor's concerns with 'fiscal consolidation' meant that many of the Social Security Review's more expansive recommendations with regard to supporting labour market transition were not adopted (Carney 2006a; Saunders 2002a:247). From this time forward, 'tests and penalties' became progressively harsher under Labor (Goodman 1997).

7.3.2 Working Nation

The central premise of the 'active employment' approach, or at least the rhetoric commending it, was that untied transfers had created a 'cycle of dependency' which a more rigorous, conditional and authoritarian system would address (Bessant 2002:13). The suite of initiatives later implemented under Labor's *Working Nation* employment policy in 1994 further reinforced

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The public rationale was that free university served only the 'elite' and that Whitlam's approach had led to 'middle class' welfare, which exploited the working class through higher taxes from which they derived no benefit. Partial fees, on a deferred student loan basis, would therefore lift the nation's 'human capital', expand the number of places and at the same time make universities more accessible to ordinary families. However, this also assisted in normalising the 'user pays' principle in line with the government's fiscal austerity commitment (Bessant *et al.* 2006: 316-348).

the ethos of 'reciprocal responsibility'. A key feature of the package was the 'job compact' which guaranteed training and skills development, and a government-supplemented employment placement for six months to a year for anyone who had been long-term unemployed beyond eighteen months. The unemployed, in turn, were obliged to take up any offer of reasonable work – or temporarily lose their entitlement (Goodman 1997; Harris 2001:17-18).

A further aspect of *Working Nation* was that 'case management'²³⁹ services for benefit recipients were partially privatised. As the Commonwealth Employment Service had been initiated as an essential ingredient of the post-war full employment commitment, this represented a ground-breaking shift in labour market policy – but one patently consistent with public sector reform towards more market-based approaches to service provision (Harris 2001:17-18; Stilwell 2000:73).

According to Cass (2003:248), the *Working Nation* package was designed to integrate with a comprehensive range of economic development and labour market reforms. These included regional infrastructure investment, 'sustained investment' in education, training and skills development, a focus on secure high-skills jobs, affordable child care, improved public transport, a variety of labour market and community support services and so on. She comments, however, that the 'necessary investments were slow in forthcoming', thus a rather broader vision for 'social inclusion' became superseded by the time Labor lost government in 1996.

Whether *Working Nation* could have achieved its objective of improving long-term unemployment outcomes is a moot point, as it was in operation only for two years. Junankar's research indicates some promise of success compared with later programs (Junankar 2000); others are supportive of the general directions taken in provision of training and assistance to many long-term unemployed (ACOSS 2005; Dean 1998; Goodman 1997; Jamrozik 2005; Stilwell 2000). Even so, Stilwell rightly observes that '[n]o amount of programs to get the

²³⁹

Case management was an approach that had been applied in the United States, premised on individual deficits rather than public obligation to the unemployed (Goodman 1997:28).

unemployed “job ready” will reduce unemployment levels in the long term unless there are jobs to be had’. The underlying assumption of *Working Nation* that economic growth and ‘wage flexibility’ constitute the whole policy solution is flawed neoliberal ideology (Stilwell 2000:73-4). Both Carney (2006a) and Saunders (2002a) also highlight inadequate investment in the *Working Nation* program. Saunders observes that the imperative to contain welfare spending by virtue of service delivery efficiencies and more selective and conditional benefit accessibility seems to have been the driving force behind this (and later) approaches to reform. Yet, like Stilwell, both these writers give the ‘human capital’ strategy alone little chance of redressing the high levels of unemployment that have been endemic since the global crisis of the 1970s.

A number of critics argue further that, throughout Labor’s terms in office, its employment policies were rationalised less on the basis of the social considerations that informed the post-war full employment commitment, and a great deal more by the need to address the perceived moral shortcomings of the unemployed (Bessant *et al.* 2006:107; Dean 1998; Goodman 1997; Harris 2001). It is clear that a cultural shift commenced with the active labour market policies in the late 1980s. Benefits became more conditional, much more tightly targeted, much harsher in punitive terms, and with recipients exposed to increasing levels of bureaucratic surveillance (Dean 1998; Goodman 1997; Harris 2000; 2001; Jamrozik 2005:77; Langmore and Quiggin 1994; Stilwell 2000). There was an assumption of guilt with the onus on unemployed people to prove themselves innocent, the ultimate judgement and consequent penalty resting on the discretion of the bureaucracy:

The ‘activity test’ became, in effect, a lifestyle test. Unemployed people had to constantly provide evidence that they ‘deserve’ the dole and could be questioned about income, unpaid activities and co-habitation. Officials and managers define what job or training offer is ‘reasonable’; they can require ‘job seekers’ to improve their ‘personal grooming’ and ‘respect for authority’; and can restrict movement to areas with ‘low employment prospects’ (Goodman 1997:30).

Welfare 'dependency', moreover, however legitimate, has been consciously stigmatised in the public eye as a direct result of Labor's targeted approach (Banks 2005; Bessant 2000; Cass 2005). It makes sense that 'welfare dependency' (whether this is argued to be inherent in the individual, or in a specific cohort of the population) is a convenient policy problematic when a level of unemployment (that is, in line with the monetarist NAIRU formula) is *sanctioned* to keep inflation in check, and when the method used to *calculate* unemployment keeps it artificially low²⁴⁰. Full employment can *only* be meaningless rhetoric in these circumstances.

7.4 The Coalition's Welfare to Work Policies

Whatever its pitfalls and however inadequate the budget, from Dean's perspective Labor's approach was at least a genuine attempt to equip the unemployed with the necessary skills and attributes for participation in the labour market. Dean's analysis reveals that the tougher line adopted later by the Coalition, on the other hand, was motivated much more by the need to inculcate the welfare dependent with the values expected of responsible, independent, rational choice makers in a market-based society (Dean 1998). However, while *Working Nation* is considered by some to have been more principled than the Coalition's later welfare-to-work policies, it has also been noted that the Howard Coalition government, which succeeded Keating in 1996, inherited a framework which could be easily manipulated to intensify welfare recipient obligations and extend the reach of workfare even further (Bessant *et al.* 2006:107; Goodman 1997; Jamrozik 2005:74-5).

7.4.1 The Workplace Relations Act and 'WorkChoices'

In March 1996, Howard lost no time in declaring to Parliament his long-held ambition to 'reform' Australia's industrial relations system. The intent was to 'phase out' the traditional award system, promote enterprise-level bargaining, revoke unfair dismissal provisions, and constrain the power of unions to engage in industrial action (Ward 1996:406). Quinlan reveals that, while

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The definition is based on a minimum of one hour's employment in the week of the ABS survey (Australian Bureau of Statistics 2006).

Labor's changes in 1993 made it easier for the Coalition to represent its own legislation as merely an extension of these directions, the new reforms were 'far from incremental' and sought to erode many of the remaining safeguards that had been retained by Labor (Quinlan 1998). While more draconian aspects of the *Workplace Relations* legislation were watered down in the Senate, the bill eventually went through towards the end of 1996 with Democrat support. The Senate managed to block the vast majority of additional industrial relations amendments bills up until 2004. However, on gaining a Senate majority from July 2005, Howard claimed a clear mandate for further decentralisation of the wage-setting system and deregulation of other institutional checks on procedural unfairness (Waring *et al.* 2005). New legislation was enacted in July 2006, covering around 85 percent of Australia's workforce (Hartman and Darab 2006). Its effect was to end the Industrial Relations Commission's involvement in minimum wage setting, give unambiguous preference to single-enterprise bargaining and Australian Workplace Agreements (or AWAs)²⁴¹, slash the award system by allowing only a minimum of terms and conditions to be contained within all forms of agreement, abolish unfair dismissal laws for small business (of up to 100 employees), and establish an 'independent' 'Fair Pay' Commission to determine safety-net wages (Wanna 2006)²⁴². The 'no disadvantage test', previously in place to provide a protection against 'simplifications' eroding previous award or agreement conditions, was scrapped in favour of the Australian Fair Pay Commission Standard. Waring *et al.* note that:

The AFPCS is the latest and most drastic weakening of protective regulation in Australian decentralised bargaining. It will incorporate just five minimum conditions of employment into legislation, including parental leave, maximum ordinary hours of work, annual and carer's leave and wages provision. These minimum conditions, together with the minimum wage and minimum award wages as adjusted by the Australian Fair Pay Commission, will form the Australian Fair Pay and Conditions Standard. Importantly, this standard will replace the 'no disadvantage test' as the [minimum] standard which collective agreements and Australian Workplace Agreements

²⁴¹ It is generally well-known that AWAs are essentially individual employment contracts negotiated privately between employer and employee.

²⁴² The Commission comprises a majority of political conservatives (Horin 2006; Rollins 2006; Smit 2005). Both Chair Ian Palmer and conservative labour market economist Judith Sloan can be linked to the New Right through the Harvey Nicholls Society, and the Centre for Independent Studies.

are to meet. In other words, agreements will only be registered if they provide wages and conditions of employment the same as or superior to the new standard (Waring *et al.* 2005:111).

This clearly had significant potential to lower the bar in respect of all new contracts. The changes meant that the privileging of AWAs over awards, together with the removal of unfair dismissal provisions for businesses employing up to 100 people, would almost inevitably result in wages and conditions actually falling relative to award standards. Employers could legally offer AWAs, possibly containing only bare minimum standards, on a 'take it or leave it basis' when recruiting new employees or when existing agreements were due to expire. Dabscheck's analysis of the *WorkChoices* legislation suggests that employers could 'unilaterally terminate an agreement and unilaterally determine new wages and conditions'. Should an employer choose not to enter into a new bargain, wages and conditions would by default revert to the Fair Pay Commission's minimum standard (Dabscheck 2006). The system, ideologically sold on the spurious claims of consensus in the workplace and the patent fallacy of equal bargaining power between the parties, was overtly biased towards employers' interests. Anybody external to this agreement, for example, unions or an independent umpire, were seen as an impediment to fair process. Impediments were dealt with by the introduction of new regulatory bodies, removal of resources, reversal of 'unpalatable' precedents by legislative change, or in the case of the purportedly obstructionist states, by overriding state systems of industrial relations (2006: Online). Predictably, some employers began almost immediately to scale back previous work-related protections. Media reports confirmed that a number of workers had been summarily dismissed simply to facilitate their re-employment on less favourable terms (Cowling *et al.* 2006; Hartman and Darab 2006).

7.4.2 Welfare to Work

Immediately after the Coalition took office in 1996, Labor's *Working Nation* initiative was unceremoniously scrapped and a range of new welfare measures implemented. These new measures included the establishment of Centrelink as the statutory body with responsibility for administration of social security support, and the creation of the Job Network. The Job Network,

supported by contestable government funds, was a quasi-market for employment services previously delivered by the Commonwealth Employment Service²⁴³. Carney observes the significance of this in 'de-legalising' what formerly were legislated rights and protections:

A process effected both by converting former rule-based norms into discretions and by shifting the location of governance from the legislation itself into executive instruments or policy manuals [is] one which complements the more radical 'privatisation' route as a means of achieving delegalisation. ... (Carney 2006a:8).

The mandatory components of the work-for-the-dole scheme required amendment to provisions in the *Social Security Act* of 1991 that had been designed to provide safeguards against civil conscription. Bessant infers from this that the amendments are essentially unconstitutional (Bessant 2000: Online). Jamrozik, in similar vein, observes that work-for-the-dole is 'intrinsically the same as "community work" *sentences* imposed by criminal courts'. The primary aim is control of welfare recipients rather than enabling access to employment (Jamrozik 2005:175-6, added emphasis).

Activity testing for 'jobseekers' became significantly more rigorous from that time, with income support recipients being required to maintain a 'dole diary' providing evidence of jobs sought per fortnight. Work-for-the-dole, targeting young unemployed 18-24 years was quickly extended to cover school leavers who had been unemployed three or more months, then to those long-term unemployed aged between 24 and 35 who had been in receipt of benefits for over a year. The work-for-the-dole initiative, like *Working Nation's* 'reciprocal responsibility', was premised on the idea that access to welfare receipts should be conditional upon recipients undertaking a 'mutual obligation' in the form of job search activity or some other contractually imposed requirement (Junankar 2000).

²⁴³

The Job Network, initially including the government service provider Employment National, was later fully privatised in 2003 (7.30 Report 2003b).

The principle of 'mutual obligation' was reinforced after the release of the Coalition-commissioned report, *Participation Support for a More Equitable Society*, which in 2000 recommended a number of further reforms to the welfare system. Australia's reliance on social security, according to the Australian Council of Social Services (ACOSS), 'is low compared with other wealthy countries'. Yet, even with strong economic growth, around one and a half million people receiving benefits had no work because 'they [came] from the most severely disadvantaged groups in society' (2005:1). According to Carney, the reforms were devised to broaden the pool of labour market 'participants' and were justified on the basis of population ageing. That is, the government faced the bleak prospect of a tighter labour market, but also a 'growing cohort of [aged] dependent citizens', and the workforce, it was argued, would need to increase to support it (Carney, 2006b). A broader range of 'jobless', namely single mothers with young children, the older unemployed, and people with disabilities—essentially all welfare recipients of working age—were targeted. In this context, those reliant on income support for long periods were considered, due to lack of 'motivation', to be vulnerable to both economic and social exclusion (neither term explained). The report highlighted the necessity for a more authoritarian approach to be adopted in relation to these groups:

The prospect of entrenched social exclusion faces only a small percentage of those who come into contact with the social support system. Most people will re-enter the paid workforce at an appropriate time through their own efforts or with minimal help. The stark reality is that those who most need assistance are often those who have few opportunities to participate and are often the least motivated to pursue them. For this reason, the new system must engage people more actively, and to be successful that engagement must be reciprocal. Consequently, the Reference Group believes that some form of requirement is necessary (McClure 2000:5).

The McClure Report recommended that, only as a last resort, punitive sanctions would need to be invoked in respect of non-compliance (McClure 2000). ACOSS, the national community welfare peak, welcomed the recommendations, but on the proviso that the comprehensive range of supports identified in the Report would be fully implemented (ACOSS 2005). At the time, however, at least one media commentator cast doubts that this would happen because of

the high-cost social investment involved – particularly in respect of people with disabilities (Tingle 2000)²⁴⁴. These comments proved to be prescient. The McClure Report's 'social investment' type recommendations were largely disregarded by the Coalition because of 'cost cutting agendas' (Carney 2006a:2). The recommendations that were not disregarded related to the new income support groups to be targeted, and to the mandatory aspects of 'mutual obligation'. These changes were enacted in 2006 when the Coalition took Senate control. The reforms, for Carney, reflect the influence of 'activation paternalists' who believe that reintegration into society through work must be imposed on welfare recipients 'for their own good', in other words, the United States welfare model (2006:11). Significant protections contained in the previous Act were removed. The new legislation was minimalist, leaving much discretion to policy makers to make changes not requiring parliamentary scrutiny (Coad, Finlay, Raper and Thomas 2006).

It is obvious that the Coalition adopted a 'jobs first' dictum rather than a social security or even human capital development agenda. Little was evident of education, skills training or professional development in the welfare reform context. Howard halved 'retraining and labour market expenditures' immediately after his election in 1996 (Carney 2006b:36). Carney's view is that the Coalition's policy

... *actively reversed* the limited incentives which the pensioner education supplement previously provided to encourage skills acquisition by sole parents (Smith, 2006: p4), and now *prevents* welfare recipients from undertaking extended training as part of an activity agreement, consigning such elements of activity agreements to short term assistance with 'presentation', job search or such like (Carney 2006a:14, original emphasis).

This has patently class-based connotations, as the work-first approach denies access to higher education for groups whose education levels are typically very low (McInnes 2006). Single mothers in particular would be significantly disadvantaged:

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In fact, the title of this article, 'Net Loss', may imply the loss of the welfare safety net as much as a net loss of expenditure to the government!

This is a particularly short-sighted approach given the fact that 60% of single parents currently on Parenting Payment have not completed education beyond year 10. Compelling women to enter the labour market without significant education or training could have negative impacts on individual women, their families and their children. These people need to be given the opportunity to improve opportunities for their families and to establish themselves a career path for when their child has grown up. Given the damage that the current skills shortage is reportedly doing to the economy, it is scandalous for the Federal Government to be putting in place such significant disincentives for people to re-train and re-skill (Coad *et al.* 2006:8).

A robust economic climate and the lowest unemployment rates in decades was cited in justification of the Coalition's welfare-to-work position. Yet the unemployment rate is by no means an accurate reflection of the contemporary labour market. Even though the unemployment figure has declined substantially since the 1999 peak, it does not reflect the widespread insecurity characterising many newly created jobs. Significant rates of unemployment are concentrated in some regional pockets, and analysts have suggested that the rate of under-employment in Australian families amounts to almost 26 percent. The Coalition actually called the idea of full-time work 'outdated', so the shifting perception of what 'a job' now means has repercussions in terms of what unemployment means. The term 'joblessness' referred to in the McClure Report served to reconstruct those dependent upon welfare as 'unemployed subjects' individually responsible to accept any form of work on offer, regardless how inadequate, unsuitable or possibly even demeaning (Hartman and Darab 2006); the social security system thus interpreted 'work' to be all the forms of labour market work available – or as Centrelink demanded (Carney 2006b:35). The Coalition's harsher approach contrasts even with that adopted in the UK, which, while also tending to be 'work first' (as discussed in Chapter 5), at least 'prioritise[s] the goal of finding either a sustainable or a quality job' (Carney 2007:12, citing Peck and Theodore 2001:436). ACOSS points out that the availability of suitable work particularly for vulnerable groups is the real problem, not that people want to avoid it (ACOSS 2005:11).

The Coalition government claimed that the imposition of harsher activity-test requirements would result in a reduction of long-term dependence on social security. However, the level of support required to get highly disadvantaged people into employment was cut. ACOSS research suggests that '[o]nly 26% of recipients of Job Network Intensive support services get a job lasting more than 13 weeks', and that service providers found many of these people 'difficult to place in jobs due to disabilities, mental health problems and other barriers to work' (2005:2-3). Unfortunately, under the Coalition's system, there has been more emphasis on compliance with benefit conditions than real assistance to access employment. Other major barriers identified included access to quality, affordable childcare services and inflexible employer attitudes to family caring needs. Many people on disability pensions and the long-term unemployed faced reduced payments and greatly intensified job search obligations. While the Coalition government claimed that much of the funding for the new package would be met by savings on social security as more entered work, this outcome was thought doubtful in the absence of significantly greater levels of investment in building people's skills and capabilities (ACOSS 2005).

In confirmation of ACOSS findings, researchers from the Social Policy Research Centre (SPRC) in New South Wales have shown that the Coalition's policies (even prior to the 2006 reforms) were placing the nation's most disadvantaged people at considerably higher risk of 'exclusion' because of punitive sanctions resulting in withdrawal of income support. As the research revealed, the imposition of financial disadvantage makes normal social and economic participation extremely challenging. Under financial stress, people have accumulated increasing debt (and bad credit ratings); suffered housing instability (even loss of their own homes); suffered deteriorating mental and physical health; experienced breakdown of personal relationships; become isolated from friendship networks; or felt loss of self-esteem because of reliance on friends and family; been unable to provide food for themselves and their family; been unable to meet essential medical costs for themselves and their children; been unable to maintain a car, or been unable to afford transport; and, under pressure by Centrelink to accept any form of paid work, been forced to curtail further education and even secondary education

studies. In extreme cases, some have resorted to crime or risky lifestyles. The personal narratives presented in this research report are deeply disturbing. Unfortunately, however, breaching penalties have made it much more difficult in many cases for people to connect successfully with employment. Withdrawal of income support has often consolidated rather than ameliorated social exclusionary effects, making it even harder for people to overcome abject poverty and personal crisis. Most vulnerable are those unable to fall back on families and friends. The SPRC report found that these impacts were likely to undermine social inclusion policy goals such as 'school retention and further education and [prevention of] youth homelessness' (Eardley *et al.* 2004:748). These are, of course, some of the effects being dealt with by the Social Inclusion Initiative in South Australia.

The 'mutual obligation' regime has become increasingly more coercive over time. Much of the intellectual justification for its adoption has been promulgated by neoliberal think tanks such as the Centre for Independent Studies (CIS), and the Institute of Public Administration (IPA) (Cahill 2004; Mendes 2003a). Many more income transfer recipients— sole parents, the mature aged and people with disabilities now amongst them — have been forced into 'workfare', regardless of whether this resulted in them 'going backwards financially' (Coad *et al.* 2006:5). For instance, single parents whose youngest child had reached eight were required to revert from Parenting Payment to a Newstart Allowance, losing over \$220 per week. It was calculated that the allowance for a parent who studied full time would be \$63 per week less than if s/he had been receiving a parenting payment (2006:3). Those on a disability pension could expect a cut of \$45 per week, the reduction for people studying full-time amounting to \$166 per week. In addition, harsher income and assets tests applied for these groups, essentially depleting any savings they may have accumulated because of the imposition of qualifying periods. Waiting periods were introduced for both parents and people with disabilities who claimed Newstart Allowance, 'making them use up hard earned savings' before they received social security (2006:5). For some, a wait of 13 weeks could be imposed before they received assistance, and only after 'liquid assets' over \$2 500 for a single person, or \$5 000 for a couple or single parent had been expended. For each \$1 000 over these limits, a further one-week waiting period was applied

(2006:5). It is not difficult to understand how depletion of financial resources might propel families into a downward spiral, particularly the least well-off families with additional needs and children to support.

Another development worth noting is that many faith-based Job Network services providers expressed their reluctance to take on case management in respect of vulnerable welfare recipients because they considered the system unjust (Carney 2006a; Hartman and Darab 2006). Because access to case management was tightened, many people who deserved additional supports were no longer eligible for the level of assistance they desperately needed (Smith, S 2006). Accordingly, many charitable organisations have since pulled out of case management services because the new breaching order fundamentally conflicts with their philosophical commitment to helping the most disadvantaged groups in society (Fowler 2006).

7.4.3 Workfare

It has become abundantly clear that, as Carney puts it, the 'clear-cut distinctions between welfare and work have now dissolved' as a result of the Coalition's policies (2006b:29). The 'pincer movement' of these two pieces of legislation forces employment into low-paid and sub-standard work (unlike previously where sub-standard forms of work were able to be rejected without the imposition of poverty) (2006b:40). Under the new regime, the shift from welfare to working poor was expected to accelerate (Carney 2006a:14, citing Karger 2006:14). This new form of labour market compulsion, as Bessant (2000) argues, is tantamount to civil conscription and therefore an abrogation of human rights. Because 'suitable work' is defined as any work meeting the Australian Fair Pay Commission's minimum standards, technically a job seeker could be forced to take work in any occupational area for which s/he were qualified. The implications of this in a situation of economic downturn are enormous, as many dislocated employees could be forced to accept any job at all, in virtually any location, on the most minimal pay and conditions. Refusal to do so could result in suspension of Centrelink payments for a period of eight weeks. Similarly, one could not resign from such employment because of the eight-week period before qualifying for an income security allowance (Hartman and Darab

2006). Finally, because of the removal of unfair dismissal provisions in *WorkChoices*, vulnerable people could find it difficult to be able to prove they were not sacked for misconduct, which would also subject them to immediate and severe punitive sanctions. As Coad *et al.* (2006) highlight, sanctions were to be immediately invoked for 'more serious offences' such as 'refusing an offer of a suitable job (without a reasonable excuse); resigning without a good reason; failing to participate in full-time "Work for the Dole" and being dismissed from employment due to misconduct'. Furthermore, because of the harsher sanctions, the number of people breached for non-compliance was expected to increase from the 3 800 on 2004-5 levels to approximately 18 000. Around three-quarters of these alleged misdemeanours would attract 'immediate eight week no payment penalties' (Coad *et al.* 2006:9). Whether we talk of 3 800 or 18 000, the sheer numbers subjected to government-sanctioned income *insecurity*, clearly signify the reality that unfettered markets – most particularly the commodified labour market – demand more authoritarian forms of social control.

Hartman *et al.* argue that the likely outcome from policies such as these is labour market stagnation, people remaining in unsatisfying work so that their existing pay and working conditions were preserved. The reforms would also pressure local labour markets because Centrelink's Newstart recipients would be compelled to take up the bulk of unskilled vacancies available, or others on the welfare rolls could be obliged to 'work for the dole' in subsidised jobs (Hartman and Darab 2006). At the same time, improving one's prospects would become much harder, simply because longer-term forms of training and education are denied to those forced into the pursuit of a poor living through unrewarding and ill-remunerated work (Carney 2006a:14). Class-based differences can only become more pronounced under a system such as this.

Under these policies, living conditions for the most vulnerable, through either degraded working conditions or lower welfare benefits can only deteriorate. In Carney's opinion:

[This sort of policy] in its latest form – is a stark example of the capacity to transform welfare into an instrument for insisting that people accept any job, on any minimally acceptable terms and conditions, including irregular or “non-standard” employment (Carney 2006b:28).

Welfare reform has enabled customisation of conditionality arrangements so that obligation now dovetails into the non-standard work arrangements characterising the new labour market (2006b:28).

Jobs first policies, together with *WorkChoices* legislation, place the ‘burden to be borne by the lower reaches of the job market by bringing downward pressure to bear on minimum wages through shoring up of jobs of marginal viability’ (Carney 2006a:6). As discussed in Chapter 5, Peck and Theodore suggest that this sort of policy approach could expect to have a deleterious effect upon national economic performance as growth will not flourish in sectors providing the best export or import replacement prospects, thus leading to social decline (Peck and Theodore 2000; Cowling *et al.* 2006). In the US context, working poverty has been the backdrop to the development of a ‘fringe economy’, comprising services such as ‘pawnbrokers, payday lenders and dubious home financing’ (Carney 2006b, citing Karger 2006).

7.4.4 Intersection with Family Policy

As Labor Opposition Leader, Kevin Rudd highlighted the paradox that Howard’s fundamentalist free market values sat uncomfortably with his purported values of social conservatism. ‘Family values’ was one of Howard’s consistent rhetorical themes during the period of his government. Rudd was quick to exploit the fact that these values are inherently and irreconcilably in conflict and that nowhere was this more evident than in the Coalition’s Workplace Relations policies which had every potential to undermine the fabric of family life (Manne 2006). The Coalition’s family policies, which intersected with workfare, were far removed from the lived experiences of many Australian families, and out of step with the role of 21st century women. Moreover, they tended to exhibit a substantial bias in favour of households where the division of labour best reflected traditional male breadwinner arrangements (Hill 2006).

Almost from the start, Howard's policy framework represented women primarily as carers with a secondary labour market role. Women able to fit into this model consequently received significantly more support from the state (Wiseman 1998:66). Hills points out more recent changes whereby 'the financial support available through the family tax benefit reward[ed] single income couple families more than dual-income couple families and single parent families'. In consequence, this brought to the fore critical issues of 'social equity, equality and inclusion' (Hill 2006:1). Whilst clearly benefiting poor partnered parents and single parents alike, this arrangement failed to discriminate between poor and rich, as the main breadwinner's salary remained exempt from consideration. Consequently, a single mother with young school-age children was not only *obliged* to work for at least 15 hours per week to retain full Newstart payments and the Family Tax Benefit B, but also would lose Newstart when she earned a minimum wage. Conversely, affluent married mothers could exercise the choice not to work at all but still be eligible for the maximum FTB-B until after the youngest child reached the age of eighteen. Moreover:

The structure of the FTB makes it financially irrational for many households to increase the secondary earner's participation in the labour market. The 'choice for women to return to or increase their paid work is therefore highly circumscribed by a system of financial incentive that rewards married women with children who do less paid work rather than more' (Hill 2006:4).

The Coalition policy has not, Hill argues, met the needs of many Australian families, nor does it represent a commitment to assisting them. It tends to reaffirm the participation of fathers in the traditional male breadwinner role and, at the same time, entrenches the normative status of women as 'secondary' earners or carers (2006:5). In turn this creates a negative impact on women's labour market rights, wages, working conditions and prospects, imposing arguably greater pressures on those women with no other choice. It should be remembered that distribution of labour market work is already highly gendered, with women occupying over 70 percent of all part time work as of 2003. These sorts of jobs are not only insecure, but of poor quality, poor pay, and poor prospects (Carney 2006:32). Furthermore, because self-funded retirement is now an expectation, women obliged to work in such jobs face grim prospects for

their retirement years (or perhaps in a worst-case scenario, no prospects for retiring from the paid workforce at all).

Some of the most severe impacts of these types of policies affect single parents, usually mothers. The combination of welfare changes and *WorkChoices* legislation forces them to undertake precarious employment that does little to improve their circumstances and undermines their already-pressured capacity to exercise—single-handedly— their caring role. This is class-based discrimination of the highest order as imposing ‘different rules for different women and different family types leads to different outcomes for children’, further entrenching class-based inequities beyond the current generation. Elspeth McInnes, a senior academic and long-time advocate for single mothers and their children²⁴⁵, also regards this differential treatment of families as a class-based ‘reward’ for middle-class women who choose to reject labour market participation. She wryly points out that ‘only when mothers’ husbands leave the workforce or the marriage [is it that] the mother apparently becomes deviant and work-shy and has a problem that needs to be fixed with coercive interventions’ (McInnes 2006:2). Research conducted by NATSEM (the National Centre for Social and Economic Modelling based in the University of Canberra) also confirms that, not only single mother families but people with disabilities as well, could expect a reduction in disposable income of up to \$120 per week (Harding *et al.* 2005). This finding suggests additional pressures on some families whose members have a form of disability. What these policies confirm is that socio-economic status is now a basis for systematic subordination that increases vulnerability to social exclusion (*cf* Jessop 2002b:242).

Conclusion

Chapter 7 has traced the evolution of changes to Australia’s social security system that, with a corresponding erosion of labour market protections, have acted *in tandem* to create greater

²⁴⁵ McInnes, a senior lecturer with the University of South Australia, has had long-term association with the National Council for Single Mothers and their Children (NCSMC).

wage disparity and compress the wage-labour-welfare nexus. It is in this context that discourses of 'social exclusion' began to emerge within the national policy arena, and became associated at macro-policy level with newly-constructed problems of 'welfare dependency' and 'joblessness'. These sorts of problem constructions align with neoliberal policy principles that actually sanction a given level of unemployment to contain inflationary pressures. Neoliberalism also demands fiscal austerity, so any investment in the maintenance of full employment in the contemporary state context is denied. Discourses of 'welfare dependency' give normative authority to social participation through labour market attachment, promote economic independence through paid work, and represent unemployment as an individual, rather than a collective, responsibility. Any form of subsistence on the state is thus disparaged as non-productive (even if it serves a socially useful function such as caring or child-rearing). More coercive welfare policies have broadened the 'available' labour pool for the low-pay labour market where jobs growth has generally occurred in Australia (and according to labour market commentators, particularly in South Australia). In consequence the new 'socially excluded' have in many instances been forced onto a perilous treadmill of low pay, unemployment, and welfare benefits at the same time as labour rights have been curtailed through the Coalition's *WorkChoices* legislation in particular. Coercion, rather than support through social investment, has forced greater numbers of people from disadvantaged groups into the labour market merely to survive. In the absence of supports which facilitate labour market activity, some women particularly poor single parents – have been disproportionately affected by these policies. As the welfare state retracts, they carry the dual burden of responsibility for both production and social reproduction functions at the same time as access to market-based rewards and market-based services, such as childcare, are rationed along socio-economic class lines. To all intents and purposes, the male breadwinner model has been formally abandoned by welfare policies, yet perpetuated ideologically for political reasons by the Coalition's conservative family policies. There has been no recognition, in a policy sense, that some form of state support for the social social reproduction of labour is warranted.

The consolidation of the neoliberal agenda centrally has constrained the capacity for progressive social policies at subnational level – through, for example the impact of the GST, other tied grants, encouraging the take-up of self-funded health and education services and most recently the hostile takeover of the states' industrial relations regulation). These sorts of policy directions, in stark contrast to the fiscal equalisation principle of earlier times, inevitably mean that strong economic growth at local level is now essential to support a social agenda. Thus, at the South Australian level, the strategies of fiscal austerity, an essentially unfunded program of narrow 'social inclusion' targets, and cost-competitive supply-side policies to fuel economic growth, appear to have become the three main pillars of a reformulated South Australian local mode of social regulation under the Rann Labor government. The trend towards an internationally competitive Schumpeterian workfare-type nation-state in Australia has had profound consequences for policy options at the South Australian state level and has provided a constrained political economic framework that has underpinned the emergence of the Rann Government's social inclusion approach to poverty and social justice issues.

CONCLUSION

CHAPTER 8

Averting the Crisis? Constraints, Conflicts and Contradictions

There are early signs of a dysfunctional society. A high rate of youth suicide (one of the highest in the world) and of drug abuse; a perception by people that they are less safe from assault and theft, at home or in public places ...; increasing family stress, breakdown and child abuse; a decline in mutual trust and sense of community; a growing scepticism and distrust of politicians; and an upsurge in social anger and resentment, evident in racism, xenophobia, increased complaints of discrimination, a tendency to blame the unemployed themselves for their predicament and a new meanness towards welfare recipients and Aboriginal people.

Fred Argy (1998:27)

What is so refreshing about Keynes is his belief that the best form of economic policy is attack and his willingness to find the theoretical justification for initiatives to boost growth and employment that turned the free market orthodoxies upside down. This required, as it does today, colossal self-confidence, for the guardians of the orthodox view occupy the very pinnacles of the social and economic pyramid.

Will Hutton (1999:35)

Underpinning this thesis is the question whether 'social inclusion' policies in Australia are as broadly inclusive of society as the 'class compact' of the post-war Fordist era, or whether they merely reflect a weak and insubstantial 'mode of social regulation' with limited capacity to promote longer-term social and economic sustainability. In grounding evidence to investigate the hypothesis, this thesis has sought to contribute new knowledge to the body of regulationist literature concerned with evaluating the elusive mode of social regulation. One of the critical 'missing links' in regulation theory (Peck and Tickell 1994; Tickell and Peck 1992). It advances previous work in applying a regulation approach to locate the emergence of 'social exclusion' discourses and policy responses within a context of broader institutional shifts to Australia's welfare state environment. Further, through the empirical study of the South Australian Social Inclusion Initiative, it also confirms how public policy development and implementation occurs

through problem construction and representation (Bacchi 1999; Edelman 1988); through the contribution of professional expertise (Bessant *et al.* 2006); and through political, fiscal and administrative practices (Bessant *et al.* 2006; Jamrozik 2005).

The empirical study in Part 1 of the thesis generated original insights into the processes underpinning the implementation in 2002 of a new South Australian Social Inclusion Initiative. The Social Inclusion Initiative is merely one component of a broader- in fact almost limitless - array of institutions which, taken together, could potentially crystallise and form a coherent mode of social regulation. While it is well beyond the scope of this thesis to consider the social mode of regulation exhaustively, it has been possible to examine, in Part 1, the extent to which the local Initiative aligns with aspects of the South Australian government's broader policy agenda and, in Part 3, the effect of national policies. In Part 2 of the thesis, the objective was to gain a deeper theoretical understanding of the emergence of social exclusion discourses and policy approaches. Chapter 4 provided a synthesis of relevant theoretical literature which, on reflection, suggests that the local model sits within Silver's (1994) *specialization* paradigm of social exclusion in that it is premised upon neoclassical economics theory. Chapter 5 then developed a political economy of social exclusion drawing upon radical scholars Marx, Polanyi and regulation theorists, whose perspectives on social exclusion fall within Silver's (1994) *monopoly* paradigm. That is, for these radical theorists, the causes of social exclusion are to be found in the structural aspects of the capitalist system, not in neoclassical economics theories about individual behaviour. Similarly, responses to increased social exclusion and inequality, such as the implementation of a Social Inclusion Initiative in South Australia, can be understood as the result of the collapse of the post-war Keynesian welfare national state, and the subnational quest for a new 'institutional fix', or stable mode of social regulation. A number of key criteria were derived from regulationist research to provide a framework for a theoretically informed exploration of the research hypothesis which proceeds below. Part 3 grounded regulationist accounts of general trends associated with contemporary capital accumulation processes in a concrete analysis of historic institutional shifts in the Australian welfare state framework, or mode of social regulation. These interrelated shifts within the national policy

regime reveal the critical underlying *structural* causes of rising poverty and inequality. The emergence of social exclusion as a discursive phenomenon is directly connected with labour market regulation, welfare-to-work reforms and benefit conditionality. When the problem is understood in this way, a more comprehensive policy response is implied from that which is offered by the Social Inclusion Initiative and the broader South Australian social inclusion agenda.

Regulation theory illustrates that, during the post-war 'Golden Era', Keynesian policies contributed to a nationally-specific but internationally-generalised set of arrangements which gave stability to the capitalist accumulation regime over several decades. Importantly, while not flawless, the Fordist-Keynesian mode of social regulation reflected a class compromise that effected systematic sharing of economic wealth through redistributive processes. In this way extremes of socio-economic inequality were generally contained. Australian 'Fordism' was characterised by an earlier protectionist tradition. Similarly to other western nations, however, its governments adopted a formal commitment to full employment which was underpinned during the post-war years by Keynesian policies. Chapter 6 noted that the protectionist 'fix' delayed serious unravelling of the post-war compact until balance of payments problems reached crisis point. Labor governments, in attempting to address concerns about the national accounts, sought to raise labour productivity, implementing a corporatist approach to manage change during the 1980s. The Accord process arguably delayed the onset of rampant neoliberalism and its overt hostility to the labour movement. However, particularly through the fiscal austerity pact with business, the Hawke and Keating Governments increasingly succumbed to neoclassical monetarist policies and market-based solutions. Full employment was consequently abandoned as a primary policy goal. Inequalities began to increase as centralised wage fixation unravelled, but also as a result of rising unemployment associated with industrial restructuring, the prevalence of insecure forms of work and under-employment, and the creeping recommodification of post-war welfare state services. In reforming the social security system, Labor's tougher 'active welfare' policies and less regulated industrial relations regime paved the way for the Coalition's relatively harsher coercive and authoritarian approach to labour law and

social security conditions. The play of history has confirmed dialectical processes in action as the Australian state has supported a major power shift from labour to capital. It is interesting to observe, in line with Peck and Tickell's (2002) optimistic perspective, that the battle has now apparently moved on – to a point where self-interested suppression of labour rights has become the subject of high politics. Analysis has shown that the Coalition's electoral defeat in the 2007 general election is considered in no short measure to be the result of a well-orchestrated campaign of voter resistance to the erosion of employee rights enacted by the unfair *WorkChoices* legislation. Moreover, the labour movement has been somewhat revitalised through both the campaign and the victory (Spies-Butcher and Wilson 2008).

A reflection on Silver's (1994) paradigms presented in Chapter 4 suggests that social exclusion arises when inequalities continue to be generated even though some individuals' circumstances fortuitously improve as a result of targeted assistance; that is, there is a churning effect but the problem remains institutionalised. It was shown in Part 1 that, in the South Australian context, selection of social exclusion problem issues, extreme and often visible issues, owes much to political pragmatism: one of the central objectives of the South Australian Social Inclusion Initiative has been to demonstrate actions and generate favourable publicity. In this way, the Rann Government is fairly typically a Third Way type government, holding together, through the relentless communication of positive ideas, an ephemeral ideology which marries market principles with social justice objectives – yet is biased in favour of the former (Freedon 2003:96). As the South Australian Democrats highlighted, the Social Inclusion Board is ill-resourced compared with the all-powerful Economic Development Board (Reynolds 2006). On the basis of commentary from both 'insiders' and 'outsiders', the Social Inclusion Initiative's references, while well-intended, are considered little more than 'bandaid' measures against the continuing onslaught of market-driven pressures towards greater socio-economic inequality. In South Australia, a focus on specific social problems such as 'rough sleeping', drug problems, or poor school retention for underprivileged students, prevent full and active strategies that focus on broader problems of inequality and poverty. Interventions to address these (aforementioned) more-specific social issues arguably sit within the *specialization* paradigm as they tend to

individualise the problem. That is, the policy interventions are targeted, selective and designed to intersect at vulnerable points across the life course to build resilience when risk threatens. Thus the responsibility to become resilient rests with the individual, and the pursuit of opportunity then reflects rational choice. This sort of model, of targeted interventions, also aligns with a 'post-welfare state' paradigm of neoliberalism. A principle of selectivity has replaced the welfare state principle of universality so as to align with fiscal constraints and the popular cultivation of low tax expectations. In this way, local social inclusion policies fail to contest market determinations, in other words the *structural* elements of social and economic inequality. The South Australian model, in borrowing from the British, has proceeded from neither a definitional base, nor a deeper theoretical comprehension of causation issues at the structural level. Such understanding is necessary to ensure that '[s]ocial inclusion strategies ... have an eye for how different institutions and processes are interconnected [and are] aimed at influencing the relationship between macro-policies and individual outcomes' (Vleminckx and Berghman 2001:31). This oversight has led to an incomplete strategy for securing social inclusion, one that limits the State's role to 'enabling' some individuals to become more competitive in a contest which favours the privileged.

Regulation theory, which sits within Silver's *monopoly* paradigm, takes a structural perspective on social exclusion. The theory suggests that, to form part of an effective mode of social regulation, a social inclusion strategy would need to exhibit coherence with broader policy objectives. In the first instance, there is no coherent, overarching strategic framework for 'social inclusion' as a policy objective. Possibly for this reason the Social Inclusion Initiative's objectives conflict with or are contradicted by other government directions which continue to be inspired by neoliberal thinking and neoclassical economics theory. Chapter 3 revealed, for example, that the 'shared services' proposal was diametrically opposed to the preservation of regional employment goals, and that containing public service employment staffing levels conflicted with employment goals for at-risk groups. The School Retention Initiative is another example where the quasi-marketisation of the State's public education system is likely to counteract efforts to promote better outcomes for children from poor families. Social justice

considerations can only be expected to drive policy decisions if, at every juncture, the projected impact on equality of outcomes is interrogated and policies with potential to increase social and economic inequality are challenged. Possibly this occurs in the Executive Committee of Cabinet, possibly it occurs in consequence of Monsignor Cappelletti's involvement on the Economic Development Board, yet little is evident in social policy development or real challenges to socially destructive policies. As Manning noted, huge public borrowings can be directed to attracting and supporting wealthy mining interests without raising the ire of ratings agencies (2007:650), yet an issue as important as children's safety must remain unfunded when it could probably be secured at a fraction of the cost of mining incentives. The tension between child protection needs and the government's fiscal austerity objectives, as was raised in Parliament by Labor MP Gay Thompson, exemplifies the extent to which short-term economic thrift must override all social considerations however urgent, serious and even rational. Of course, global discipline is a real, rather than imagined, feature of the neoliberal regime— and the spectre of the State Bank debt still threatens when Labor governments exhibit profligate tendencies (Parkin 2007:314). Nonetheless, it can be seen that the execution of a social inclusion agenda fails to overcome the sorts of contradictions that can elevate the potential for social division and crisis as rising inequality creates more obvious differences between 'haves and have-nots'. The lack of an overarching social inclusion framework in Britain, as was seen in Chapter 4, has meant that inequality has worsened and some instances of social exclusion have actually deteriorated (Utting 2005). There can be no reason to expect a different outcome in respect of the local agenda; social exclusion symptoms increase in a more unequal environment, so inequality remains the problem (McKnight 2002; Stilwell 1993).

Under the South Australian Social Inclusion Initiative strategy, there is no real basis for redirecting resources to those most in need, as the 'joined up' policy objective, purportedly intended to drive budget redistribution, has little traction in the face of unresponsive fiscal practices. In contrast, a strategy that formed part of an effective mode of social regulation would counter the drift towards social polarisation (Peck and Tickell 1994:367). Thus it is concluded that the Social Inclusion Initiative, with its aim to promote greater equality of 'opportunity', will be

inadequate to address wealth polarisation in the State. The Social Inclusion Unit reports that the selected initiatives are having a positive impact in terms of their narrow targeted objectives. However, there is currently no real way of evaluating the broader impact on social conditions. It is not even known whether these program initiatives represent a better investment than what agencies (both government and non-government) previously had in place to address equity issues (Newman *et al.* 2007:30).

The conclusion from Chapter 2 is that the only way social inclusion 'causes' are read as structurally-derived is through the alleged failure of the public sector. Discrimination against underprivileged individuals and groups is reflected in a way that implicates bureaucratic disinterest, risk-aversion, or operational conservatism. Again, this is consistent with a Third Way tendency to privilege over the bureaucracy the role of 'cultural innovators'; 'style-setters', and 'ethical guardians' who more closely approximate the undefined real 'community' (Freeden 1999:43). This is a depoliticisation agenda which fortifies neoliberal power structures. At the micro-institutional level, bureaucratic constraints arise because of the need for public sector accountability and because 'joined up' work must occur within very narrow financial parameters as prescribed by neoliberal dicta. At a time when public sector creativity is demanded to address pressing social concerns, 'fiscal responsibility' imposes limitations on the public sector capacity for real social innovation (Arthurson and Jacobs 2003:13 citing Taylor 1998; Keating 2003:430). Innovative and collaborative approaches to problems can be pursued only insofar as their implementation does not encroach upon government agencies' core appropriations or absorb additional resources. In line with Jamrozik's observation, starved of appropriate levels of investment, it is convenient for intractable social problems to be then attributed to 'technical inadequacy' rather than lack of political motivation on the part of government (2005:63).

Regulation theory emphasises that a successful mode of social regulation emerges as a compromise – an outcome of class conflict and compromise. As was evident from Chapter 3, the problem of 'social exclusion' has been locally constructed in a way that actually diverts attention from the serious underlying causes. The unrepresentative board model adopted has

been criticised for silencing potential dissenters: those whose positions within the broader South Australian community bring them into close contact with issues such as poverty and inequality, low pay and unemployment feel that they have been deliberately sidelined and have little capacity to influence the social inclusion agenda. An important issue here is that the government has projected the appearance of consensus-building through various advisory structures. Yet, in excluding particular voices, it has effectively acted to suppress adversarial opinion; thus the potential for more ambitious policy possibilities through dialectical processes has been weakened. Further, because 'extreme' symptoms and narrow targets have taken operational priority, they act as a social justice 'window dressing', a policy simulacrum which diverts the gaze from other more intractable issues (Edelman 1988). Again this serves as another device by which to forestall crisis in the shorter term by suppressing dissent rather than confronting it and attempting to accommodate alternative views.

A successful mode of social regulation would need to prevent the take-up of 'beggar-thy neighbour' policies that contradict social objectives (Peck and Tickell 1994:367). An example given above indicates that corporate welfare is privileged, unquestionably, over social welfare. Furthermore, the South Australian government continues to trumpet a cost competitive base for business compared with other Australian states, becoming one of the first to succumb to the Coalition's demands to rescind local business taxes in return for GST revenue. Yet without some form of social wage concession for local workers who are increasingly disadvantaged in the labour market because of industrial restructuring, competition on cost could have a negative impact on local living standards, most particularly if mining boom conditions push wealth polarisation. Contrast, for example, the difference between low cost State-subsidised housing which delivered benefits to both capital and labour during the Playford era, and the Silicon Valley scenario – a dual society with the lower income strata subjected to increasing housing stress because of escalating real estate values. In view of the government's plan to increase the State's population base, and thus create a more competitive local labour market, it is unlikely that labour shortages will leverage wages in the low-pay sector and eminently possible that new foreign immigrants to the State will be next in line for exploitation in these jobs. Public debate

about whether a larger population is good for the State has not occurred, not even to contemplate what it might mean in relation to social inclusion goals or environmental sustainability. Again this attests to a broader policy regime which does not cohere with an inclusion agenda or 'provide a framework around which productivity gains could be shared' (Peck and Tickell 1994:367). The assumption is that economic growth will have a 'trickle down effect'.

To what extent are local social inclusion policies likely to counteract recessionary swings in the business cycle (Peck and Tickell 1994:367)? There are two issues here. The local social inclusion approach does nothing to provide a predictable demand environment (particularly for small business in the non-traded sector), and furthermore, fails to insure the State's most vulnerable people against cyclical swings. According to labour market commentators, the State's low-paid workers are highly susceptible to unemployment, to labour market churning, and to economic fluctuations (particularly in light of the recently introduced industrial relations and workfare policies at national level). Attention needs to be given to the coinciding problems of overwork and under-employment, and social reproduction issues such as parental leave and poor availability of accessible quality childcare. As was discussed in Chapter 7, the latter issue imposes particular pressure on low-income single mother families on the basis of nonconformity with conventional male breadwinner arrangements which have to all intents and purposes broken down.

It can be inferred from the section on education issues in Chapter 3 that socio-economic status may well determine employment fate unless school funding is progressively redistributed in the interests of fair outcomes. The quasi-marketisation of public education has become a significant factor in reproducing class effects. This is a major issue locally. The least competitive in the labour market remain at considerable risk in the event of an economic downturn. Even with the best political will, it will be exceedingly difficult to deal seriously with educational inequalities between schools without alienating an important component of the middle-ground electoral constituency. Thus we can see, as was highlighted in Chapter 4, that the bid for the middle

ground vote is likely to disenfranchise those at the bottom (Barry 2002:26; Percy-Smith 2000b). Social mobility accordingly becomes restricted to the extent that some people are unable to escape their circumstances (Byrne 1999:127). Rising inequality is then managed by policies that contain the 'dangerous classes' through more authoritarian forms of rule (Bauman 1997:60). With regard to political disenfranchisement, it was reported in June 2006, based on the higher number of informal votes in the most recent State election, that disinterest in electoral politics had increased (SASP Progress Report 2006:68). These two factors observed in the theoretical literature – rising authoritarianism (Barry 2002; Byrne 1999; Peck and Tickell 2002), and political disenfranchisement of society's most vulnerable (Barry 2002; Percy-Smith 2000b) – can be identified in South Australia's institutional reformation. The law and order agenda, as empirically noted in Chapter 3, has become a consistent and well-publicised hallmark of the Rann regime. Ironically, South Australians apparently feel less safe now than they did five years previously (Manning 2007:651). Furthermore, tougher penalties have paradoxically accompanied reduced investment in offender rehabilitation ('States challenge IR laws in High Court', *Advertiser*, 25 September 2002). Here is yet another tension between economic and social objectives.

Does the government's social inclusion agenda provide a framework of 'policies, institutions and economic norms necessary for ensuring continuous reinvestment in skills, technologies and innovations'(Jamrozik 2005)? As touched on above, education is becoming increasingly financed by parents, but at the expense of marginalising poorer students within the public system. This means that educational advantage is unevenly rationed, hence the system fails to capitalise on knowledge-based potential. There is a Workforce Development Strategy for the State, however some people associated with this work feel that it has a very limited capacity to embrace under-privileged groups. They view the policy primarily as an economic supply-side strategy driven by business panic about skills labour shortages. In recent times industry investment in training and skills development has fallen, and it is claimed that newer forms of vocational education and training sponsored by the State are essentially supporting low-paid and precarious forms of employment. It is unrealistic to expect much innovation or technical

advancement in this low-pay sector which will fail to push State-based industry up the technical hierarchy (Cowling *et al.* 2006; Peck and Theodore 2000). Furthermore, if, as SA Unions' Janet Giles suspects, the State is becoming a characteristically low-skill low-pay region, outside the lucrative but controversial mining and defence sectors, it is unlikely to be a destination for highly-skilled workers, or for capital investment seeking out high skills. Another foreseeable development is the State's increasing incapacity to be able to retain highly educated and highly skilled workers if better paid jobs are available outside the State. Moreover, in the context of economic downturn, supply-side policies (whether or not they also generate social benefits) could be considerably less expansive in scope if they rely on GST receipts, as the GST revenue is obviously linked to business cycle fluctuations. The State has relinquished significant power over its own revenue-raising capacity in order to reduce business costs. As such, outside Commonwealth benevolence, it would not be in a sound position to provide either fiscal stimulus or social compensation if faced with the recessionary pressures that have become an endemic feature of life under market rule.

Chapters 6 and 7 of the thesis focused on institutional change at the national level, for it is only at this level of analysis that the drivers of social exclusion at subnational level can be properly revealed. Almost four decades of institutional shifts in Australia's political-economic framework have profoundly transformed the landscape in a neoliberal mould. It is interesting that Jessop's 'hollowing out' thesis (Jessop 2002b; 2006b) can in some respects be contested in the Australian case, as national level governments since 1983 have in fact consolidated central control over the regional states, effectively through tied grants, but, as was evident with the Coalition's imposition of a unified industrial relations agenda, also through exercising constitutional power to take advantage of the nation's federated structure.

It can also be seen from this segment of the thesis that small regional states like South Australia, heavily reliant on manufacturing, suffered particularly adverse impacts through lowered tariffs. The Australian consumer market became a less attractive prospect for many firms at the same time as production costs reduced their capacity to compete in an open global

trade environment. This led to a considerable retraction in employment, and many replacement jobs in the State have tended to be strongly services oriented.

Given that 'full employment' has been abandoned as a national macro-economic policy commitment in Australia, an effective mode of social regulation would need to compensate for the 'hollowing out' of social entitlements at local level. It is clear that the South Australian social inclusion model (Initiative, agenda, objectives) makes no attempt to intervene on the demand side of the employment market to provide a broad social security safety net. The South Australian Strategic Plan inequality target intersects at the point of the wage-labour-welfare nexus, but in an opportunistic way which appears to do very little for people forced to rely on the social security system or precarious forms of work.

It seems, then, that the period of 'institutional searching' must continue. Research undertaken by the Centre of Full Employment and Equity (CofFEE) at the University of Newcastle indicates that the private sector has only ever been able to generate 77 percent of the employment base in Australia. This would suggest that jurisdictions such as South Australia, with uneven spatial distribution of unemployment, and inequitable distribution of work hours, could benefit by the adoption of a 'Job Guarantee'. This model utilises public sector employment to stabilise the economy, employment levels, and extreme income disparities, against business cycle fluctuations (Centre of Full Employment and Equity: Online). There is an abundance of socially-useful work (currently under-funded) which could be generated through such an approach: health, education, community welfare, environmentally sustainable industries and early childhood services. All these services are directly concerned with ensuring support for the social reproduction function on which the market sector of the economy relies. Furthermore, CofFEE's research suggests that investment in these forms of public sector activity will generate overall benefits, rather than costs, to capital (Centre of Full Employment and Equity: Online). Others also advocate something similar to this approach which would guarantee a social entitlement in view of capitalism's inherent tendency to reduce rather than produce jobs through economic growth (Bauman 1998:56; Gorz 1999; Langmore and Quiggin 1994; Stilwell 2000:189;

Saunders 2002:254). Moreover, as South Australia is the 'driest state in the driest continent', it is an ideal location for serious *public* investment in world-leading green technologies (and a corresponding seat on the Executive Committee of Cabinet for the environmental sector!). The applicability of such a model to the South Australian context suggests a useful project for further research: it has potential to accommodate the social reproduction functions so sorely lacking in the contemporary neoliberal policy environment, as well as potential to fulfil other requirements of a successful mode of social regulation, possibly even leading to a 'virtuous circle' of growth.

Decisions taken at national level have undoubtedly imposed operational constraints at subnational level, not least because of conflicting political ideologies and the nation's federated structure. However, the federal Rudd Labor government appears to be in a secure position for the foreseeable future. As such, there is strong potential for better dialogue and cooperative strategies to ensure that consistent, coherent and inclusive social policies replace the Coalition's welfare-to-work reforms with a genuine social investment model. If, on the other hand, social inequality continues to deepen at local level, the potential for a crisis compromise – becomes all the more tangible. Real social innovation demands thinking outside the narrow parameters of conventional wisdom and, like Keynes, challenging the hegemonic authority of market-based economics.

APPENDICES

APPENDIX 1

Social Inclusion Board: Terms of Reference

1. Role and Functions of the Board:

The Social Inclusion Board will consist of ten members plus the Chair.

1. Members will be appointed by the Premier for a two-year term, subject to review of performance every 12 months. Board members can be reappointed for more than one term whether consecutive or otherwise.
2. The Board will meet at least quarterly.
3. The Chief Executive of the Department of Premier and Cabinet and/or the Executive Director Social Inclusion Unit must attend each meeting.
4. Public communications by the Board will be through the Chair of the Board in consultation with Chief Executive, Department of Premier and Cabinet and/or the Office of the Premier, consistent with agreed protocol.

2. The Social Inclusion Board is Responsible for:

1. Providing leadership to the work of the Social Inclusion Unit to ensure that Government receives expert policy advice on identified social policy issues and a coordinated and integrated approach to developing, implementing and reviewing the directions of Government to reduce social exclusion.
2. Providing recommendations, information and advice to the Social Inclusion Cabinet Committee and the Premier including providing advice on potential priorities for Government funding consideration.
3. Providing guidance to the Social Inclusion Unit in addressing issues identified by the Premier and Cabinet.
4. Developing strategies for dealing with the causes of social exclusion to provide leadership to influence and shape national social justice policy.
5. Assisting the Social Inclusion Unit to develop and maintain appropriate engagement mechanisms across government, community and stakeholders.
6. Providing advice and information to the Social Inclusion Unit to assist in research activities.
7. Reporting on a quarterly basis to the Premier.

3. Role and Responsibilities of the Chair:

The Chair reports to the Premier and works in consultation with the Chief Executive Department of Premier and Cabinet in undertaking the following:

Appendices

1. Set the agenda and work plan for the Board and the Social Inclusion Unit and guide the Board in the development of innovative responses, and models of community and public sector engagement, to reduce social exclusion.
2. Advise the Premier on emerging issues in relation to social inclusion.
3. Provide advice to the Premier and Cabinet Committee on :
 - funding priorities and mechanisms
 - innovative and challenging models of cooperation and collaboration across the public sector for engaging other levels of Government, the community and business sectors.
4. Establish and maintain linkages with the Premier, Chief Executives across the public sector, and the community to support the work of the Social Inclusion Unit, particularly in the development of new collaborative funding and operational models.
5. Responsible as the public face of the Social Inclusion Board for public comment on the work of the Board under agreed protocols.

APPENDIX 2



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The Researcher:

Roz Averis is a PhD candidate in Labour Studies/Politics based at the School of Social Sciences, Adelaide University.

Roz has a Bachelor of Labour Studies (Hons), and has taken leave from her substantive position as a Senior Policy Officer in the Strategic Projects Division of the South Australian Department of the Premier and Cabinet to pursue her doctoral studies.

The research is supported by the Commonwealth government's Research Training Scheme for postgraduate study, an Australian Postgraduate Award scholarship, and the University of Adelaide.

Working Title of Thesis:

Averting the Crisis – Or Avoiding the Compromise? A Regulation Approach to Social Exclusion in Australia

Purpose of Study:

The research explores the recent emergence of 'social exclusion' policies, which reflect evolutionary shifts in the nature of Australia's post-war welfare state institutions. A regulation theory research methodology is applied to examine the political economy of social exclusion in Australia, with emphasis on social and economic policy changes that have resulted in greater wealth inequalities across the population since 1983. Regulation theory was initially developed to explain Fordism, the period of strong and stable economic growth during the post-war period. In more recent times, the regulationist research project has refocused on institutional reforms associated with the collapse of Fordism and the globalisation of the capitalist system. It is intended through the research for the thesis to extend the body of regulationist literature dealing with modes of social regulation (MSR). Existing research indicates that the current 'active welfare' regime administered by the Commonwealth government tends in many instances to consolidate rather than ameliorate 'social exclusion' amongst certain individuals and groups. Under this regime, people experiencing a range of conditions associated with poverty and disadvantage fail to meet 'mutual obligation' requirements. This can ultimately lead to withdrawal of income support. As a result of the difficulties faced by many people placed in this situation, it has fallen to governments at subnational state level to attempt to address the social dislocation that lack of access to income, or insufficient income, can cause. In this regard, the South Australian Labor government has adopted a social inclusion approach somewhat similar to the UK model. The thesis incorporates an exploration of the South Australian strategy as a major strand of the overall study. Key issues to be investigated include whether there has been a *de facto* rescaling of responsibility for social security from macro-economic to micro-economic level, and the consequent implications that this scalar institutional shift might have for the design of effective social inclusion policy.

Participant Involvement:

Ethics Policy

In accordance with the University of Adelaide's *Gender Studies and Labour Studies Research Ethics* policy it is emphasised that:

- participation in this research is invited; there is no onus on the invitee to provide a reason if the invitation is not accepted
- participants may choose to withdraw at any time without giving a reason
- participants may withdraw any information they have provided within six months of receiving their transcript (NB data gathering phase expected to complete by mid-year 2006).

Participant Selection

Participants have been targeted for interview on the basis of their knowledge about, or connection with, the South Australian social inclusion agenda. A variety of perspectives is sought to provide a rich, diverse, and balanced base of information not available from the literature or other documentary sources. For example, it is proposed to gather views of the Premier (as Minister for Social Inclusion), members of the Social Inclusion Board, Social Inclusion Unit personnel, and peak level representatives of unions, community and business sectors. It is possible that 'snowballing' via these participants may provide additional contacts (and ethical protocols with regard to contacting such third parties will be respected). Potential participants will all be contacted by letter.

Nature and Duration of Participant Involvement

Participant involvement will entail:

- a personal semi-structured interview of up to one hour, in which the interviewee will be invited to respond to around ten main questions
- audiotaping (if the participant is agreeable)
- audiotape/and or transcript being provided to the participant if s/he requests
- participant having the right to remain anonymous where this is preferred, with any information generated used only in a discreet and sensitive way that does not reveal her/his identity
- in order to minimise any risks associated with inadvertent disclosure of identity, the interviewee having the right to negotiate how the data appears in the thesis (for example, her/his association with various institutions or key figures – see *Use of Data* below)
- within the data gathering phase (ie up to 30 June 2006), possible follow-up contact to clarify any issues arising from analysis of the data.

While the research questions will cover some common ground, it is not intended that the same specific set of information will necessarily be sought from each individual participant. Earlier interviews, for example, may generate additional or alternative areas to investigate with later participants.

Use of Data

The data generated via the research interviews will be kept strictly confidential and used only by the researcher and only in association with the thesis. The researcher will transcribe the audiotape. If requested by the participant, the raw data can be secured by the State archive with restrictions on its use, or alternatively, destroyed after the thesis has been completed (projected to be mid-year 2007).

Consolidated research findings will not be made available to individual participants during the development of the thesis. In line with common academic practice, aspects of the research

findings may be presented in research forums and/or published prior to and subsequent to submission of the thesis (and in accordance with assurances given as to confidentiality and use of data).

All interviewees will have the opportunity to divide their interview as follows once they see the transcript:

1. material they are happy to have attributed to them, and that may be used in discussion with other interviewees
2. material they only want discussed anonymously
3. material that might have any other limitations on it - eg who it can be discussed with, or in what time frame, or other specification as to how it may be used
4. material they want deleted from the transcript.

Researcher's Supervisors:

Dr Ray Broomhill, Adjunct Associate Professor of Labour Studies, Australian Institute for Social Research, University of Adelaide

Dr Greg McCarthy, Senior Lecturer in Politics, School of Politics and History, University of Adelaide

Further enquiries:

Participants are encouraged to ask any questions, or raise any issues they may have about the research and/or the research process prior to making the decision to be interviewed, or to be provided with further background for the interview (which will also optimise time for questions during the interview). If further information is required please contact:

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Should any concerns or complaints arise which the participant does not wish to address to the researcher, please contact:

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Interviews

- Mr Mark Butler, Member, Social Inclusion Board, interviewed on 10 October 2005. At the time of interview, Mr Butler was also State Secretary of the Liquor, Hospitality and Miscellaneous Union, and the preselected Labor candidate for the South Australian electorate of Port Adelaide
- Mr Bill Cossey, Member, Social Inclusion Board, interviewed on 27 September 2005. Mr Cossey had previously occupied several Chief Executive positions in various South Australian government portfolios.
- Ms Moira Deslandes, Chief Executive of Volunteering SA, interviewed on 3 November 2005. Ms Deslandes was former Chief of Staff to Labor Minister for Education, Trish White and was also on SA Labor's Platform Committee for the 2002 State election.
- Ms Janet Giles, Executive Director, SA Unions, interviewed on 30 September 2005. Ms Giles was formerly Secretary, South Australian Institute of Teachers, and was formerly a professional registered teacher employed with South Australia's Education Department.
- Mr Lou Hutchinson, Director, Employment Programs, Department of Further Education, Employment, Science and Technology (DFEEST), interviewed on 24 January 2006.
- Ms Ingrid Marshall, Member, Social Inclusion Board, interviewed 14 November 2005. At the time of interview, Ms Marshall was Director, Corporate Services, Elders Limited, South Australia.
- Ms Heather Parkes, inaugural Director, Social Inclusion Initiative, interviewed on 24 February 2006. At the time of interview Ms Parkes occupied the position of Director, Office of Health Reform, South Australian Department of Human Services.
- Dr Jan Patterson, Principal Policy Officer, Social Inclusion Initiative, Department of the Premier and Cabinet, interviewed on 2 November 2005.
- Hon Mike Rann, Premier of South Australia and Minister for Social Inclusion, interviewed on 1 November, 2005.
- Mr Simon Schrapel, Chair, South Australian Council of Social Services, interviewed 14 November 2005. At the time of interview, Mr Schrapel was also Executive Manager, Family and Community Services, Anglicare, South Australia.
- Professor Roger Thomas, Member, Social Inclusion Board, interviewed on 10 October 2005. At the time of interview and currently, Professor Thomas is Director of the Centre for Australian Indigenous Research and Studies, University of Adelaide.
- Ms Lise Windsor, Principal Policy Officer, Vocational Education and Training Strategy, Department of Further Education, Employment, Science and Technology (DFEEST), interviewed on 7 February 2006.
- Ms Madeleine Woolley, former Executive Director, Social Inclusion Initiative, Department of the Premier and Cabinet. Interviewed on 10 November 2005. At the time of interview, Ms Woolley had resigned from the Executive Director position. She was formerly a Member of the Social Inclusion Board, and also the Director of the Adelaide Institute of Technical and Further Education (TAFE).

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