



Myths of the Welfare State

Mark Latham

Policymakers should forget about grand theories of sociology and the ideologies of old politics and pursue an evidence-based approach to welfare reform.

One of the problems with modern politics is its disconnection from the poor. The people who work in the political system lead a life totally removed from the experiences of disadvantaged suburbs. Machine politicians—the spin doctors, opinion pollsters and party bosses who dominate the system—have no interest in public housing estates, for instance, as these suburbs are not within marginal seats.

The disconnection of the political system is also evident in the work of its opinion makers: the media, the academy and the bureaucracy. Journalists, academics and senior public servants do not live in disadvantaged neighbourhoods and rarely have cause to visit them.

My interest in welfare reform comes from 35 years of experience with public housing estates, first as a resident and now as a Member of Parliament. I represent several broadacre housing areas in Sydney's southwest with unemployment rates of 50% and welfare dependency rates of 80%. This has given me a different attitude to poverty from most people in politics. The things that people say in poor suburbs are completely different to the way in which the issues are debated in parliament and the media. Public life has become abstracted from the day-to-day practice of poverty.

The myth of government spending

The welfare debate in Australia primarily involves an argument about government spending. It is a myth, however, to believe that governments have the capacity to spend their way out of the welfare problem. The era of tax and spend politics has ended. Huge increases in welfare spending are not likely.

Welfare reformers need to look beyond the limits of the welfare state. Society's most entrenched problems require a cross-sectoral approach—harnessing the creativity and resources of the public, social and business sectors. These social partnerships between governments, corporations, community organisations and welfare recipients are the best way of creating successful communities.

In public housing estates this is seen as a commonsense strategy. Contrary to the rhetoric of Left-wing politics, poor people have little faith in the role of government. They already live in the equivalent of socialist suburbs, with 90% of the income and assets owned by government. Unhappily, this is a sign of their poverty rather than a solution to it. The hatred of the bureaucratic failings of the Department of Housing, Social Security and the Child Support Agency is palpable. The organisations with the greatest public support lie outside the public sector. Non-government agencies such as St Vincent de Paul and Anglicare are well respected for their pastoral role. Based on the evidence, more resources of this kind need to be mobilised. Government-first welfare strategies are a recipe for failure.

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The myth of government intervention

Even if governments had more money to spend on welfare, this is not necessarily a good starting point for poverty alleviation. The debate between Left and Right has overlooked the social or moral dimension of poverty. In my experience, the chief demand in public housing estates is not for more government intervention or more market forces. It is to normalise the neighbourhood—to give people a stronger sense of community and cooperation in their relationship with others. People want to feel safe and secure on the streets; they want to be able to trust their neighbours and work together with a feeling of common purpose.

These social foundations are vital. All the evidence shows that when people have a high level of trust and self-esteem they are more likely to make good use of government support, such as training programmes and welfare payments.¹

Some sceptics will argue that the first priority for poor people is employment. While jobs are crucial, it is also true that the first step towards labour market success is a normal social environment. My most depressing experience in public life has been to hear the principals of disadvantaged schools report on their career counselling sessions. When asked about their career aspirations, some students say: 'I'm going to do what my dad and grand-dad did—go on the dole'.

The emergence of long term and inter-generational unemployment in the 1980s has had a crippling social impact. With the loss of the regular habits and dignity of work, society's norms and standards have fragmented. This phenomenon has eroded self-esteem and given people a perverse sense of their own interests. It is not possible to get people back into work without first fixing the social dimension.

This insight exposes the problem with traditional welfare strategies. Governments usually think of exclusion in terms of financial capital, through finely calibrated measures such as the Henderson poverty line. It is assumed that the machinery of the state can dispense enough money to lift people above the line.

The key step in dealing with poverty, however, involves the creation of strong lines and relationships between people. This task is beyond the reach of government agencies. While the state is skilled in the redistribution of financial resources, its community development projects are rarely successful. Bureaucracies rely on standardised structures and procedures.

Communities rely on a diffuse set of social relationships. It is impossible to standardise trust and self-esteem. Whenever bureaucracies intervene in community life they tend to smother the essential sparks of social capital and creativity.

This is one of the reasons why inequality and social exclusion have become so entrenched in Australian society, despite high levels of welfare spending. The welfare state has been built around bureaucratic structures instead of the capacities of people. It has placed a dead hand on innovation and self-help in disadvantaged neighbourhoods. The paternalism of welfare policy needs to end.

The myth of static poverty

Traditionally, welfare policy has taken a snapshot view of poverty, measuring the number of people below the poverty line at a particular point in time. Governments have concentrated on the recurrent payment of income support as a way of responding to this problem.

This static analysis takes no account of variations in economic and social circumstances over time. For most people poverty is not a permanent condition. It is estimated that 30% of society

experiences occasional bouts of exclusion—falling in and out of the workforce, struggling with workplace restructuring, adjusting to changes in family and community life, and so forth.

Most of the trends in our society, especially the emergence of a new economy, point to greater fluctuations in life's circumstances. Compared to the relative certainty of the 1950s and 1960s, an average working family is now 50% more likely to experience an unexpected decline in its living standards.² This reflects the pace of economic and social restructuring, with the rise of job insecurity and family and community fragmentation. It also presents a more realistic view of economic exclusion, with people moving above and below the poverty line on a regular basis.

For people in these circumstances the welfare state is inadequate. Recurrent transfer payments were never designed to deal with continuous variations in life's conditions and the insecurity this brings. The benefits system was developed at a time when society was more stable and predictable. New welfare strategies are needed to ensure people at risk of poverty can cope with the inevitability of change (see box on next page).

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The myth of public administration

One of the consequences of rapid economic and social change has been a new geography of poverty. As people move up and down the income ladder they more readily change their place of residence. Society has become more mobile and communities less stable.

This process has generated a significant level of population churning, with people moving in and out of poor suburbs as their economic circumstances dictate. It has also produced something of a paradox: even though a limited proportion of society is permanently trapped below the poverty line, a large and growing number of neighbourhoods display the characteristics of permanent poverty. Research has shown that the problems of disadvantaged neighbourhoods are much greater than the personal characteristics of their residents.³ Networks of social exclusion feed off each other and compound the problems of poor areas.

The evidence indicates that welfare policies need to be place-specific. This explains the growing interest in the concept of place management—an attempt by policymakers to focus the work of government agencies on particular locations. While this work is still at an early stage of development, it nonetheless recognises the need for new responses to poverty.⁴

Traditionally, public sector departments have been organised around functional responsibilities—transport, education, health and family services—rather than the needs of locations. Yet the problems of disadvantaged people and places do not easily fall into each segment of government. A poor education, unemployment, health issues, domestic violence and other social problems invariably overlap and reinforce each other.

The welfare state has struggled to respond to this reality. It does not have a ‘Department of Poverty’ or other mechanisms by which its programmes can be closely coordinated at the local level. The public housing estates in my electorate, for instance, feature 17 different government agencies providing 23 different programmes and support schemes.⁵ While each agency is significant in its own right, no one has responsibility for the neighbourhood as a whole. This produces a high level of buck passing and frustration within the agencies themselves. Overcoming this deficiency is one of the key tasks for welfare reform.

The myth of abstract rights

One of the basic principles of disadvantaged areas is that socially responsible behaviour is valued ahead of social rights. While millionaire media commentators

COPING WITH THE INEVITABILITY OF CHANGE

Asset-based welfare reform policies aim to respond to the growth of social and economic insecurity. People who oscillate in and out of poverty need to be able to smooth out their income fluctuations, drawing on a range of assets during periods of disadvantage. The purpose of a modernised welfare state should be to assist this process.

In the old system, governments tried to redistribute economic resources through tax and spend strategies by emphasising recurrent income transfers rather than assets. But transfer payments are not a good way of generating economic and social participation. Instead of fostering self-reliance and security, they force people to rely on the benevolence and fiscal capacity of governments.

The only way to leave poverty on a permanent basis is to save and accumulate assets, whether in the form of financial, education or social resources. One of the mistakes of the welfare state has been to underestimate the capacity of disadvantaged people to save. Programmes overseas, for instance, have shown that the poor can save and invest, once they receive the right kind of incentives.^a This process, in turn, creates spin-off benefits in terms of self-esteem, healthcare and career prospects.

The new role for government is to facilitate asset accumulation in the following ways:

- Disperse the ownership of economic assets, especially through participation on the stock market. The federal government, for instance, should introduce a First Shareowners Scheme to strengthen Australia’s credentials as a share-owning democracy, especially among low-income groups.^b
- Establish a network of welfare savings accounts, with strong incentives for poor people to put money aside and accumulate assets. The accounts would be available for a range of purposes, such as education, home ownership and equity investment.
- Create a highly skilled and capable population through Lifelong Learning Accounts. This means ensuring that people have access to a bank of resources from which they can meet the costs of lifelong learning.^c
- Develop new and innovative ways of creating social capital in disadvantaged communities. This means creating an alternative welfare system based on social entrepreneurs and social venture capital.



such as Phillip Adams and trendy Left politicians such as Natasha Stott Despoja focus solely on the rights agenda, the people who live and work in poor areas have a different set of priorities. They know that there can be no end to the poverty cycle without effort and responsibility.

Social rights and freedoms can only be exercised in the context of a mutually responsible society. People can be well off financially, yet they will not be free if they cannot walk the streets with a sense of safety. People can benefit from a strong social safety net, but they will not be free to achieve in society unless they are willing to seek new skills and work opportunities. Children can spend a lot of time at school, but they will not be free to realise their potential in life unless work and education are valued in the home by their parents.

Rights alone are not enough. They need to be matched by responsibilities. This is the central failing of contemporary Left-wing politics. It has dished out a plethora of rights without demanding a corresponding set of social responsibilities. It continues to talk about a good society but without any reference to the relationships and morality between people. Yet in practice this is all the poor themselves want to talk about. The core demand in disadvantaged areas does not involve the extension of social rights. It is to make the neighbourhood normal—to ensure that people act responsibly and respect each other's interests.

It is a fallacy to believe that poor people are opposed to the mutual responsibility agenda. In fact, more than any other part of society, they appreciate its benefits. But it does not have to be a top-down process. Instead of imposing programmes like Work for the Dole in an authoritarian fashion, the federal government should ask poor neighbours to develop their own programmes of mutual responsibility. This act of empowerment would not only achieve substantial results, it would help expose the myth of abstract rights.

Evidence-based solutions

The pressing need for welfare reform is evident. The welfare strategies developed in the postwar decades are not suited to the modern challenges of poverty. If the welfare state were being created today, it would need to respond to a vastly different set of economic and social circumstances. Based on the evidence, it would need to:

- form partnerships and mobilise resources from across society;
- create social capital as a necessary precondition for poverty alleviation;

- bypass bureaucratic structures and back the capacity of poor communities to fight back;
- develop a new system of welfare support in response to the growth of economic insecurity;
- focus on the unique problems of disadvantaged places; and
- get serious about the fulfillment of social responsibility.

The Information Age is demanding cross-sectoral and multi-disciplinary solutions. It is rewarding organisations that place a premium on collaboration and networking. The public sector still needs to provide basic services and support, but in a different sequence to the traditional approach. It needs to act as a junior partner to communities, intervening with special programmes and resources only once the foundations of social capital have been laid. Its new role is to identify and nurture successful community projects. This is what we call the enabling state.⁶

Conclusion

The myths of the welfare state are based on old ideological ways of thinking, a struggle between government-first and market-first policies. It is now clear that both approaches are flawed. The world has moved on. Welfare policymakers need to look beyond the old Left and the new Right to those evidence-based policies that can end the human tragedy of poverty.

Endnotes

- ¹ Amitai Etzioni, *The Third Way to a Good Society* (London: Demos, 2000), 16-17.
- ² Will Hutton, 'High-Risk Strategy is Not Paying Off', *The Guardian Weekly* (12 November 1995), 13.
- ³ Boyd Hunter, 'Is There An Australian Underclass?', *Urban Futures* 18 (1995), 20.
- ⁴ See, for instance, Mark Latham, *Civilising Global Capital* (Sydney: Allen and Unwin, 1998), 214-220.
- ⁵ Figures presented by Craig Knowles, NSW Minister for Planning and Urban Affairs, at a WSROC local government conference (Merrylands: 22 November 1996).
- ⁶ Peter Botsman and Mark Latham (eds), *The Enabling State: People Before Bureaucracy* (Sydney: Pluto Press, 2001).

Breakout box

- ^a See Michael Sherraden and Robert Friedman, 'Asset-based Policy in the United States' in *Asset-Based Welfare: International Experiences*, ed. Sue Regan and Will Paxton (London: Institute for Public Policy Research, 2001), 6-34.
- ^b See Mark Latham, 'Stakeholder Welfare', *Quadrant* (March 2001), 14-21.
- ^c Mark Latham, *What Did You Learn Tod@y?* (Sydney: Allen and Unwin, 2001), 86-100.