

SOCIAL ENTREPRENEURS NETWORK CONFERENCE

Social Entrepreneurs Network

Noel Pearson

4 March 2002

I have argued that passive welfare is one of the two issues of the most strategic importance to the wellbeing and future of my people of Cape York Peninsula and I dare say, indigenous people generally. I have been a vigorous opponent of policies aimed at continued passive welfare delivery. I have argued that the activity and service delivery of the Welfare State has caused and compounded Aboriginal passivity – it has deprived of us of our right to take responsibility, and we have paid huge social costs as a people for these policies.

I, along with many others in my community and in the wider community – not the least the social entrepreneurs at this dinner tonight – believe that partnerships and social entrepreneurship, rather than unilateral government service delivery and social welfare, represents the way forward.

But, refusing to accept the continuation of passive welfare provisioning as policy for my community, I should take the opportunity here tonight to highlight some points I have also made about the context in which I have proceeded with my critique of welfare. I have not repudiated the Welfare State and indeed I believe it is a great civilising achievement. My own education I owe to the policies of Prime Minister EG Whitlam, as no doubt do many others who have come from the wrong side of the tracks. Rather than seeking to contribute to the dismantling of welfare provisioning by government to ensure universal access and opportunity, I urge its reform. When the Welfare State operates to keep people in perpetual dependency and engages in relationships with marginalised peoples that compound their passivity – reform cannot be put off. Aboriginal people cannot remain in the largest proportions at the bottom end of the Australian Welfare State, riddled with social problems and not enjoying a fair place in the economy of their home country.

So I urge and pursue social entrepreneurship with a clear eye to reforming welfare and making it stronger – ensuring that it enables social recovery and uplift, rather than impeding it.

But the future of the Australian Welfare State faces bigger questions than the position of indigenous peoples within it. And in the following analysis I wish to raise a question which we all face – where is the commitment to the great social contract which the Welfare State represented during the Twentieth Century, going to come from in the Twenty First Century? The answer to this question is not at all clear.

Let me turn first to question of what is welfare?

Passive welfare, that is, transfers from Federal and State budgets to individuals and families without reciprocation, is the principal source of the modest wealth of Aboriginal society in Cape York Peninsula today. Our investigation therefore begins with an analysis of welfare.

The word “welfare” has gained a pejorative meaning which it did not always have. This is probably the consequence of the derogatory use of the word in American discussions about government provisioning to citizens. Although in Australia the term is still often understood in its classical and broader meaning, it has become common usage to equate “welfare” with “unconditional cash payouts from the state to the needy (and some bludgers)”. In order to distinguish between the broader and the narrower interpretations of the word “welfare”, I will use the term “passive welfare”. By “passive welfare” I mean welfare in the narrow sense of assistance to needy citizens who may never repay via their taxes what they have received, and of whom nothing further will be required or expected.

The narrow ahistorical interpretation of the term makes it difficult to appreciate the scope of “the Welfare State”. The “Welfare State” is both an ideological concept and a concrete type of society where the welfare ideology has been implemented. In the wider sense the term welfare includes, for example, universally accessible health care and compulsory education. In most modern industrialised countries the state has assumed an overall responsibility for these domains, even if there is a mixture of state and private enterprise in these sectors of the economy. In the Welfare State the working taxpayers - the “mainstream” - collectively finance facilities aimed at their own wellbeing, development and security. Classical welfare is not just a matter of the more affluent classes supporting the poor and marginalised. Welfare in the wider sense does redistribute resources from richer to poorer citizens, but it also redistributes the resources of the individual over her or his own life cycle. The citizen is assisted during childhood, then works and pays tax, and is finally taken care of during retirement. Her taxes also insure her against disaster like serious illness.

We take welfare in the classical sense for granted. The state is assumed to have the ultimate responsibility for insuring that there are satisfactory private or public solutions for everybody in the areas of housing, education, health care and so on. But in pre-industrial society, and throughout early industrial society, this responsibility was not presumed. During the end of the nineteenth century and for most of the twentieth, all highly industrialised countries developed into welfare states to at least some degree, no matter whether they were ethnically homogenous or comprised marginalised minorities, like the Aboriginal peoples of Australia. Why did this happen?

During the stage of the industrialised market economy when the Welfare State was developing, the lower classes consisted mainly of a huge, homogenous industrial army and their dependants. Since they lived and worked under similar conditions and were in close contact with each other, they had both the incentive and the opportunity to organise themselves into trade unions and struggle for common goals. They possessed a bargaining position through collective industrial action.

At the same time it was in the objective interest of the industrialists to ensure that the working class didn't turn to radical ideologies, and that the workers weren't worn down by the increasing speed and efficiency of industrial production. Health care, primary education, pensions, minimum wages, collective bargaining, and unemployment benefits created a socially stable and secure working class, competent to perform increasingly complex industrial work, and able to raise a new generation of workers. Workers with an income above the minimum required for survival and reproduction also constituted a market for the immense collection of commodities that they themselves produced.

These two factors, the organisation of the workers and the objective interest of the industrialists, produced an era of class cooperation: the Welfare State. The support and security systems of the Welfare State included the overwhelming majority of the citizens. Thus it was in Australia during the long period of bipartisan consensus that Paul Kelly calls "the Australian Settlement", established by Deakin just after Federation and lasting up to the time of the Hawke and Keating governments in the 1980s.

At this point let me stress two points about the Welfare State that developed in Australia from 1900.

Firstly, the key institutional foundations of this Welfare State were laid down by the Liberal leader, Alfred Deakin. As well as the commitment to a strong role for government (what Kelly calls State Paternalism) it included the fundamental commitment to wage conciliation and arbitration which became law in 1904. Throughout most of the twentieth century the commitment to a regulated labour market enjoyed bipartisan support in this country. Whatever complaints the non-Labor parties harboured about organised labour, there prevailed a consensus about the necessity and desirability of a system of labour regulation in this country, right up to the government of Prime Minister Malcolm Fraser. It is important to remember the bipartisan consensus around the general shape of the Welfare State established in the early 1900s.

Secondly, it is also important to remember that the Welfare State was the product of class compromise. In other words it arose out of the struggle by organised labour - it was built on the backs of working people who united through sustained industrial organisation and action in the 1890s. It was not the product of the efforts of people in the universities, or in the bureaucracies or even parliament. Whilst academics, bureaucrats and parliamentarians soon came to greatly benefit from the development of the Welfare State - and they became its official theorists and trustees - it is important to keep in mind that the civilising achievement of the Welfare State was the product of the compromise between organised labour and industrial capital.

When the Arbitration bill was introduced into Parliament, Deakin spoke of this compromise as "the People's Peace". He said:

"This bill marks, in my opinion, the beginning of a new phase of civilisation. It begins the establishment of the People's Peace...which will comprehend necessarily as great a transformation in the features of industrial society as the creation of the King's Peace

brought about in civil society...imperfect as our legal system may be, it is a distinct gain to transfer to the realm of reason and argument those industrial convulsions which have hitherto involved, not only loss of life, liberty, comfort and opportunities of well-being."

The Social Democrats have given three reasons for defending the Welfare State:

Firstly to counteract social stratification, and especially to set a lower limit to how deep people are allowed to sink. People with average resources and knowledge will not spend enough on education and their long term security (health care and retirement), and they and their children will be caught in a downward spiral, unless they are taxed and the services provided. This is the main mechanism of enforced egalitarianism, not confiscating the resources of the rich and distributing them among the poor, because the rich are simply not rich enough to finance the Welfare State, even if all their wealth were expropriated.

Secondly to redistribute income over each individual's lifetime. This is often performed not on an individual basis (those who work now pay some of older peoples' entitlements and will be assisted by the next generation), and there is some redistribution from rich to poor, but the principle is that you receive approximately what you contribute (in the case of education you get an advance).

Thirdly because health care and education (the two main areas of the public sector of the economy) can't be reduced to commodities on the market, because health care and education are about *making* everybody an able player on the market. In other areas of the economy you can then *allow* competition.

Classical welfare is therefore *reciprocal*, with a larger or smaller element of redistribution.

Now this has all changed and we must ask,

What is the future of welfare?

The modern economy of the developed countries is no longer based to the same extent on industrial production by a homogenous army of workers. The bulk of the gross domestic product is now generated by a symbol and information-handling middle class and some highly qualified workers. These qualified people have a bargaining position in the labour market because of their individual competence, whereas traditional workers are interchangeable and depend on organisation and solidarity in their negotiations with the employers. A large part of the former industrial army is descending into service jobs, menial work, unemployment. Many of their children become irrelevant for economic growth instead of becoming productive workers like their parents and grandparents.

As always in times of economic revolution, new growth sectors of the economy absorb many people who can't make a living in the older shrinking sectors. Also, income stratification is now being permitted to increase. The new employment in growth sectors and the partial deregulation

of the labour market has mitigated unemployment caused by the demise of manufacturing in the original industrialised countries. But even if mass unemployment is avoided, the current economic revolution will have a profound effect on our society: it will bring about the end of collectivism.

The lower classes in developed countries have lost much of their political influence because of the shrinking and disorganisation of the only powerful group among them, the working class proper. The shift in the economy away from manufacturing, and economic globalisation which makes it possible to allocate production to the enormous unregulated labour markets outside the classical welfare states. These changes have deprived the industrial workers in the developed countries of their powerful position as sole suppliers of labour force for what has until recently been the most important part of the world economy, the manufacturing industry of the original industrialised countries. The lower classes are therefore now unable to defend the Welfare State. Nor is there any longer any political or economic reason for the influential strata of society to support the preservation of the Welfare State.

Those who have important functions in the new economy will be employed on individual contracts, and will be able to find individual solutions for their education, health care, retirement and so on, while the majority of the lower classes will face uncertainty. The Welfare State will increasingly be presented as an impediment to economic growth.

I refer to “class” in Australia because its existence is a historical and contemporary fact, even if the term has lost respectability in public discussion today. But from my acknowledgement of the reality of class society the reader should not infer that I am a proponent of socialist policies. I do not propose, indeed do not have, any economic policy for the country. I do not discuss what generates economic growth and the impact of welfare on economic growth, I merely observe that, either due to economic necessity or political will, great changes are likely to be made to the welfare systems which are the major source of income for Aboriginal communities.

In Australia the effects of this revolution and the dismantling of the 80 year old Australian Settlement, have been alleviated by the compromises between the traditional Australian social system and the economic internationalisation that was carried out during the Hawke-Keating years. These successive Labor prime ministers presided over this transition in the Australian economy, and they sought to introduce reform without destroying the commitment to the welfare state. Labor eventually lost the 1996 election but the earlier endorsement of the electorate of this compromise to a large extent forced the coalition parties to be more cautious about dismantling the welfare state, notwithstanding their preferences.

But the story does not end here. The welfare state will continue to face pressure to retreat. As I have said, it will increasingly be presented as an impediment to economic growth. You do not need me to tell you this.

When I consider the history of your people, I am struck by the ironies. Few Australians today appreciate their history. They do not realise that the certainties they yearn for were guaranteed

throughout the twentieth century by the Welfare State to which the great majority of Australians were reconciled and committed. They do not realise that this civilising achievement was founded on the efforts of organised labour. Instead of appreciating the critical role that the organised labour movement played in spreading opportunity and underwriting the relatively egalitarian society which so many Australians yearn for today - organised labour has been diminished in popular esteem. It has come to be demonised, and whilst working people have a proud story to tell - of nation building no less - this is not understood by Australians today.

The second irony concerns the sacrifices that working people and the organised labour movement made during the painful transition period in our country that occurred from 1983 - and the complete lack of acknowledgment in the historical understanding of the Australian community of this. Wage restraint underpinned the reform processes pursued under Prime Ministers Hawke and Keating. If these reforms were essential and have underpinned the current economic performance of our country - what credit did the working people get from the responsibilities that they shouldered for the sake of the national economic interest? The irony is that rather than taking the credit for the outcomes of the economic reform process during this period (when incomes declined and profit shares surged) the organised labour movement ended up being perceived as retarding economic performance, and the call for labour market 'flexibility' never abated. Indeed the pressure mounted and continues today. At the end of the day, organised labour was left between a rock and hard place: responsible for economic reform, but unable to claim credit because many workers wondered whether the sacrifices had been worth making.

That is the origin and the present predicament of the Australian Welfare State, upon which your people have relied for generations and whose future is of critical significance to the prospects of your children.

The predicament of my mob is that not only do we face the same uncertainty as all lower class Australians, but we haven't even benefited from the existence of the Welfare State. The Welfare State has meant security and an opportunity for development for many of your mob. It has been enabling. The problem of my people in Cape York Peninsula is that we have only experienced the income support that is payable to the permanently unemployed and marginalised. I call this "passive welfare" to distinguish it from the welfare proper, that is, when the working taxpayers collectively finance systems aimed at the their own and their families' security and development. The immersion of a whole region like Aboriginal Cape York Peninsula into dependence on passive welfare is different from the mainstream experience of welfare. What is the exception among white fellas - almost complete dependence on cash handouts from the government - is the rule for us. Rather than the income support safety net being a temporary solution for our people (as it was for the whitefellas who were moving between jobs when unemployment support was first devised) this safety net became a permanent destination for our people once we joined the passive welfare rolls.

The irony of our newly won citizenship in 1967 was that after we became citizens with equal rights and the theoretical right to equal pay, we lost the meagre foothold that we had in the real economy and we became almost comprehensively dependent upon passive welfare for our

livelihood. So in one sense we gained citizenship and in another sense we lost it at the same time. Because we find thirty years later that life in the safety net for three decades and two generations has produced a social disaster.

And we should not be surprised that this catastrophe was the consequence of our enrolment at the dependent bottom end of the Australian welfare state. You put any group of people in a condition of overwhelming reliance upon passive welfare support - that is support without reciprocation - and within three decades you will get the same social results that my people in Cape York Peninsula currently endure. Our social problems do not emanate from an innate incapacity on the part of our people. Our social problems are not endemic, they have not always been with us. We are not a hopeless or imbecile people.

Resilience and the strength of our values and relationships were not just features of our pre-colonial classical society (which we understandably harken back to) - our ancestors actually managed to *retain* these values and relationships despite all of the hardships and assaults of our colonial history. Indeed it is a testament to the achievements of our grandparents that these values and relationships secured our survival as a people and indeed our grandparents had struggled heroically to keep us alive as a people, and to rebuild and defend our families in the teeth of a sustained and vicious maltreatment by white Australian society.

So when I say that the indigenous experience of the Australian welfare state has been disastrous I do not thereby mean that the Australian welfare state is a bad thing. It is just that my people have experienced a marginal aspect of that welfare state: income provisioning for people dispossessed from the real economy.

Of course the welfare state means much more than the passive welfare which my people have predominantly experienced. As I have said the welfare state was in fact a great and civilising achievement for Australian society, which produced many great benefits for the great majority of Australians. It is just that our people have largely not experienced the positive features of mainstream life in the Australian welfare state - public health, education, infrastructure and other aspects which have underpinned the quality of life and the opportunities of generations of Australians. Of course some government money has been spent on Aboriginal health and education. But the people of my dysfunctional society have struggled to use these resources for our development. Our life expectancy is decreasing and the young generation is illiterate. Our relegation to the dependence on perpetual passive income transfers meant that our people's experience of the welfare state has been negative. Indeed, in the final analysis, completely destructive and tragic.

One question I ask myself about the Australian Welfare State is this: why were the lower classes not prepared for the changes in the economy and the accompanying political changes in spite of the fact that the labour movement has been a powerful influence for most of the century? The stratification of society is increasing, but the lower classes are becoming less organised and less able to use their numbers to influence the development of society via our representative democracy.

Welfare and Aboriginal society

Our dispossession is the ultimate cause of our passive welfare dependency. Upon our dispossession the traditional economy of our ancestors was ruptured and we were engulfed by the new economic order, in which our official and actual place until 1967 was in the underclass: quasi-slaves, workers in fact but not in status.

The welfare-based economy of Aboriginal society is a consequence of our official incorporation as Australian citizens, but this was not the intention of the Australian electorate when it passed the 1967 Referendum which gave us nominal citizenship. We got the right to equal pay but on those terms we were no longer able to find employment.

Welfare schemes for Aboriginal people have been slightly modified and extended to accommodate our circumstances, but our passive welfare provisioning is fundamentally similar to the schemes that support marginalised groups among non-Aboriginal Australians. Because of our history of dispossession, our remoteness from economic growth centres and our current inability to compete on the labour market we qualify, almost to a woman and to a man, as recipients of passive welfare.

The most significant political question for our people is not in fact the reconciliation process, at least as far as that process is currently conceived, it is the reshaping of the economy and our place in the new economy. A shift in the general direction of less state intervention and less ambitious welfare schemes could, as a side effect, reduce our main source of income. One might argue that it would be politically easier to defend welfare schemes specifically aimed at dispossessed indigenous peoples, but this is far from certain.

The market-oriented policies that the voters have endorsed in many recent elections are not aimed at us, they are a reflection of the general trend away from collectivism. I am not saying that we can influence the large economic and political trends, nationally or internationally. A realistic plan for the survival of our society must simply take them into account.

So I leave you with this question again tonight: from whence will the commitment to the social contract of universal guarantee of access and opportunity – provided by the Welfare State established in Australia last century – going to come from in the longterm?