

Opinion

How will the IR changes affect our society?

PAUL SMYTH

We appear headed down a US path of entrenched working poor.

THE Howard Government's proposed changes to industrial relations policy have been hailed as a revolutionary fillip to a sagging national economic reform agenda. But commentators in *The Age* have raised serious concerns about the social impacts. Will these changes be good for Australia if, while pulling away protection for the lowly paid, they feed that social cancer known in the United States as the "working poor"?

Surely as a nation we cannot dodge these questions. We need IR reforms that are good for

society as well as for the economy.

Shaun Carney noted on this page recently (28/5) the fundamental breach the IR changes make with Australia's tradition of setting a decent wage for those at the bottom of the labour market. This decision was embedded in the "social liberalism" of Federation fathers such as Alfred Deakin and other champions of the dignity of labour.

It established a uniquely Australian approach to using wage policy to meet social goals. Unlike so many other Western countries in the 20th century that took the welfare state approach, Australians preferred to leave the money in the pockets of the workers. They could be trusted to make their own arrangements to meet their health and welfare needs. Through the award-based sys-

tem that developed, wages could be calculated in a way that recognised the needs of families as well as the capacity of the market to pay.

This was the Australian way. We aspired to a welfare society not a welfare state.

The Depression disrupted this approach, but it was rehabilitated after World War II by government action to sustain full employment. A welfare "safety net" was extended to those who fell through the cracks. As former ANU professor Frank Castles famously noted, we did our "welfare by other means".

The dismantling of the "Australian way" of doing social policy has been incremental. Any commitment to full employment disappeared across the 1980s, while in the 1990s Paul Keating began the process of wage deregulation that John

Howard is now finishing. And what has been the social policy result? Large increases in social welfare.

Between 1980 and 1998, per capita real social expenditure in Australia increased by no less than 83 per cent. Clearly targeted income support and social services are now functioning less as a safety net and more as our main way of sustaining the "fair go". It is hard to believe that this was intended. Ending "welfare dependency" emerged simultaneously as government's No. 1 social policy goal.

So what are the social policy implications of the new IR changes? Are they meant to empty the safety net with paid jobs for all? This would be an unlikely outcome.

First, the evidence from countries that have taken this approach is of only small to neg-

ligible increases in employment. Second, as we know from the bitter US experience, not just any job will get you out of poverty.

Professor Peter Saunders of the University of NSW social policy research centre has shown that in Australia (1998-99), a national poverty rate of 13.6 per cent rose to 35.7 per cent among households where no one was employed. Where there was at least one person in full-time employment in the household, the rate dropped from 13.6 per cent to 1.8 per cent. In households where someone was employed but not in a full-time job, the poverty rate dropped — but to only 30.4 per cent. In short, not just any job will get you out of poverty.

When you realise that only a quarter of the jobs created in the 1990s were full-time, it is

impossible to imagine that the proposed IR changes are going to "end welfare dependency".

What, then, are the social policy implications of the proposed IR changes? Do they mean we are headed down the US path with an entrenched working poor? Or could we reverse history and opt to combine a free-market economy with a European-style welfare state-based system of social protection? Or is it possible to revitalise the Australian way through policies for full employment and some re-regulation of the wage system. Only when these social policy questions are answered will we know the implications of John Howard's IR revolution for Australian society.

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