One Discourse, Three Dialects: Changing the Social Model in Australia, the United Kingdom, and the United States

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Executive Summary

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Executive Summary

The Family Network of Canadian Policy Research Networks is exploring future options for a new social architecture for Canada's 21st century through a set of linked research reports. This paper examines the ways that the welfare mix has been altered in response to social and economic challenges in three countries classified as liberal regimes – Australia, the United Kingdom, and the United States. In order to identify the assumptions and choices made about the welfare mix in each country, the 'welfare diamond' is assessed to determine the respective roles of government, market, community, and family. The analysis uncovers how three possible *public policy logics* – ensuring *security for all*, *social inclusion*, or *social cohesion* – orient the shift in the social architecture in these liberal regimes.

For each country, the paper includes a brief review of the historical roots of the welfare state, a presentation of the current welfare mix, and an examination of recent employment-oriented social policy reforms that are designed to support low-wage labour markets by 'ending welfare as we know it' and helping to 'make work pay.' A particular focus is on the ways that the welfare mix of families, especially poor families, has altered due to changes in the labour market, family structures, and state policy. The reason for this emphasis is that much of the recent policy reform in these three liberal regimes has been directed towards families with children, especially those with market incomes. Indeed, through the American *Personal Responsibility and Work Opportunity Reconciliation Act* of 1996, the 'New Deal' parcel of programs introduced in the United Kingdom in 1997, and the recently launched *Australians Working Together* reforms, there is an emphasis on the individual to provide for his or her own well-being to the greatest extent possible, especially in terms of labour market participation.

The United States

Americans have looked to the market as their primary source of welfare for most of the past century. Historically, there has never been a guarantee of poverty reduction even though the United States has the highest child poverty rates among the rich OECD countries. In fact, the 1996 welfare reforms were driven by increasing rates of welfare dependency and poverty traps. The current welfare mix in the United States is founded on new federalism and the politics of race, along with social insurance principles that date back to Roosevelt's New Deal. Although these principles have influenced the policy choices made by the United States, it could be argued that there is no national vision for a welfare system and that, instead, it is a product of individual decisions made by 50 states.

American employment-oriented social policies stress markets, and to a lesser extent families, with limited state support provided almost exclusively to those with some market income. While the social policy initiatives that support employment have been developing for several decades, they were given a significant push in 1996. Reforms were intended to 'end welfare as we know it' and move welfare recipients into jobs. At the same time, the social assistance program *Aid to Families with Dependent Children* was abolished.

The *Personal Responsibility and Work Opportunity Reconciliation Act* of 1996 places a five-year maximum life-time limit on the receipt of social assistance benefits and makes work a mandatory requirement for claimants. Through the program *Temporary Assistance for Needy Families*, which provides a time-limited income floor to needy families with children who lack other means of support, even shorter life-time limits for assistance have been adopted by individual states. Under this program, the exemption for job search requirements for single parents with children was reduced from three years to 12 months or less.

The goal is to move people into work quickly. However, because the only jobs available often pay very low wages, the United States has also moved to provide significant support to low-wage workers via generous tax credits that supplement low market incomes. The *Earned Income Tax Credit* and its collateral supports help to make work pay. Health insurance has been significantly extended to cover many low-wage workers who do not receive health benefits from employment, or at least to provide coverage for their children. Childcare benefits are also increasingly available, especially for those just moving into work, although access to childcare remains an issue for the majority of the working poor. With diminishing state welfare programs, community and business efforts such as the *Welfare to Work Partnership* also help to move individuals into independent lives, and the employers of low-wage workers also benefit from readily available tax and financial incentives. There is also a rising enthusiasm for asset-based welfare.

When we look at the consequences of this design, we observe that the United States' social policy for low-income individuals and families is a work support system. There is a definite emphasis on *markets* and on *families* as the primary sources of well-being. To the extent that *security* is a goal in the United States, public funds can now legitimately go only to those who are taking responsibility for themselves by earning market income. Those without a job have little security, however, because they are "under the time-limits gun." There is little focus on *social inclusion* apart from the *Welfare to Work Partnership* and the diverse but fragmented efforts of the voluntary sector. Indeed, the recent spate of welfare reforms focus on taking responsibility for one's self and one's family – in short, on *not* being dependent. Very little attention is given to *social cohesion* as it is commonly understood.

The United Kingdom

A neo-liberal revolution in economics defined the Thatcher era but it was Tony Blair who completed the revolution in the social arena. Today, the welfare system in the United Kingdom is a mixed contributory and tax-funded model, which is intended as a general guarantee against poverty. New Labour has been somewhat more redistributive in its social policies with regard to the very poor by raising the level of social assistance and instituting a minimum wage for the first time ever. However, the United Kingdom has not escaped the fallout from increased earnings inequality, compounded by the growth in the number of lone-parent families. To address this, the Blair government adopted a 'Third Way' – the maintenance of a broad safety net, active support to provide opportunities for the unemployed, some compulsion for the unemployed, and support to enable individuals to take up opportunities for self-reliance. In addition to the policy aims of 'ending welfare as we know it' and 'making work pay,' the United Kingdom has a third focus that aims to eradicate child poverty.

Administrative reforms offer individualized support to enable people of working age to move into the labour market or to improve their current market income potential. Community and business partnerships support this active policy aim. Asset-based welfare is also on the rise in the United Kingdom, as seen by the creation of a *Saving Gateway* scheme to provide government matching grants as a financial incentive to help individuals 'kick-start' a regular saving habit. A similar *Child Trust Fund* provides financial endowments for all children at birth but more for those born into poor families. This is part of the United Kingdom's efforts to end child poverty within a generation. In addition, the Labour Government has increased direct financial support to families with children and created financial incentives for parents who are employed. The *Sure Start Childcare Program* provides free early education and childcare for young children living in disadvantaged areas, as well as health and family support, and will be expanded to include all three- and four-year-old children in March 2004.

The *market* in the United Kingdom still has a dominant position in providing for welfare and, with employability as the watchword for the new economy and the new welfare state, it is becoming increasingly important. Yet the *state* is clearly willing to assume a significant role in ensuring well-being, via universal as well as targeted programs. In addition, *communities* have assumed a major role in supporting economic development, primarily through the participation of employers and voluntary sector organizations in *New Deal* employment and training programs. An increased focus on personal responsibility means that *families* are being encouraged to save for and invest in their own future and that of their children. However, *individuals* are now being asked to play an increasingly important role since those who are of working age and able-bodied are expected to work or train for employment in exchange for receiving benefits and other collateral support.

In the United Kingdom, *security* derives from employment, in-work benefits, a wide variety of state supported social assistance programs, and a move to encourage saving by individuals and families. Anti-poverty measures, whether explicit (as they are for children) or discreet (as they are for seniors) help to promote *social inclusion*. Inclusion in the community is also encouraged by way of opportunities to work for benefits in the voluntary sector. Finally, *social cohesion* is being advanced through locally-based community economic development initiatives throughout the United Kingdom, in which public, private and voluntary sector partners work together to increase local employment and respond to local economic needs.

Australia

Unlike the United States and the United Kingdom, Australia has focused less on social policy in favour of other instruments. It has primarily used wage regulation as a form of social protection and is known as a “wage earners’ welfare state.” Australia’s 80-year legacy of wage fixing continues to compress wage differentials today. This instrument has been combined with a means-tested, flat-rate income support system that is supplemented by payments for dependents. Thus, Australia has developed a social assistance model that is based on need. Most programs are funded from general tax revenues rather than employee-contributed social security and payroll contributions.

Despite a decade of economic growth in Australia, the number of working age people on income support has grown. While it is true that there is less income inequality and lower rates of child poverty in Australia than in the United States or the United Kingdom, the problems of welfare dependency and poverty traps are still of concern to the Australian Commonwealth Government. The recently introduced *Australians Working Together* reform package is intended to strike the right balance between incentives, obligations and assistance in order to modernize the current income support system. It takes account of individual circumstances in order to help people to achieve independence, extending the traditional focus on economic participation to include a broader notion of social participation. Australia’s goal of social reform is long term and it is estimated that it will take about 10 years to implement all of the strategies planned.

As part of its overall welfare reform strategy, Australia has undertaken an innovative and unique endeavour in an attempt to build a *social coalition* comprised of individuals, families, businesses, communities, and government working in partnership. While the focus is on building individual capacity through social partnerships, participation in the labour market by those who are immediately able is also encouraged. As part of its employability strategy, the government has introduced a number of financial and collateral incentives including a childcare program and family tax benefits. Parents with a youngest child aged 13 to 15 are now required to do up to 150 hours of part-time activity over six months. However, there is still an emphasis on parenting that may stem from the legacy of the traditional ‘male breadwinner model’ that characterized the beginning of the wage earners’ welfare state.

In Australia, the *market* is dominant, although its role in the welfare mix has been circumscribed by wage regulation and the influence of strong unions. Its role is increasing, however, since it is now expected to create employment opportunities that meet the needs of the community, facilitate employment for the disadvantaged, and support philanthropy. Staying true to its legacy as a wage earners’ welfare state, the *state* continues to be an intervener and protector. As a result, Australia still has a high minimum wage, as well as low income inequality when compared with other OECD countries. The state also plays a key role in providing benefits and now has a major role to play in preparing individuals for the market. Although the role of the *community* is weaker, the latest reforms seek to develop it to a much greater extent.

As a result, *security* derives from wage-regulated work and in-work benefits, extensive social assistance seen in the universal nature of most programs, limited social insurance and, in the future it is hoped, from personal and community assets. There is a strong focus on *social inclusion* through active citizenship measures that include both economic participation and community involvement. Increasing attention is also being given to *social cohesion* through a 'social coalition' intended to create community social and economic development through partnerships. Family tax benefits, together with supplements provided under income support to families with children, uphold the notion that *family* remains an integral part of the welfare diamond. Welfare reforms place a new and significant emphasis on the *individual* by requiring an increased measure of responsibility from individuals who receive benefits. This is coupled with support for the development of individual capacity over time and by enabling individual choice as to how and when such participation will occur.

One Discourse, Three Dialects

This comparative analysis of welfare reform in Australia, the United Kingdom, and the United States has found that, true to their liberal ideologies, there continues to be a strong emphasis on the market in the three regimes. There has been little interest in market restructuring but, rather, a strong emphasis on the design of employment-oriented social policies. All three regimes are redirecting welfare dollars to financial incentives that 'make work pay' to enable well-being to be achieved through labour force participation. Moving the individual toward self-sufficiency, especially in terms of employability, is a primary goal. This is the singular discourse shared by the three regimes.

Within this discourse, however, are three distinct dialects. The United States continues to view the market as its primary source of welfare. The United Kingdom is attempting to use a 'third way' to deal with the problems arising from its fairly recent move to neo-liberalism. The market is still a dominant source of welfare but the state maintains a broad safety net while encouraging stronger roles for the community and family. Australia has remained true to roots as a wage earners' welfare state and is attempting to build a social coalition that encourages individual self-determination, both in economic and social terms. Like the United Kingdom, Australia is also making investments in individuals and, through partnerships, in communities.