Social Work – Making a World of Difference

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Herman Leonard, Professor of Accounting at Harvard's Kennedy School of Government, reminds students that "the hard jobs are left to the public sector". The private sector has the easy tasks, but the public sector is left to pick up the costs of what the private sector cannot handle or does not want to handle, and to repair the damage when the private sector fails.

I suspect that few are more aware of this than social workers, particularly social workers employed in government agencies.

You have seen the damage; that's your professional territory. This morning I want to look at how the world, or at least this part of the world, has come to inflict the damage you see in your professional lives.

This starts with a short excursion into recent economic history, focussing on the economic changes in Australia over the last thirty years, before looking at the options ahead, and suggesting how you may contribute to shaping that future. Although I'm not qualified to speak on our social conditions, I hope to be able to shed some light on the developments that have brought them about.

In focussing on economic origins of pain I don't want to downplay the social pain with other, non-economic, origins. You would be well aware of the dislocations endured by the traditional owners of this land, including the Ngunnawal people of this region, and of the dislocations suffered by people in war-torn regions such as Sudan or Iraq. But for many economic changes have resulted in upheaval and pain – both as our nation lurched into a crisis in the 1970s and as we modernised in response to that crisis. Although much of the dislocation is in the past, its effects linger.

A short economic history

Over the last sixty years Australia has opened to the world, in a way and at a speed few nations have done before. In 1945, at the end of the Pacific War, our population was only 7 million. A person of Chinese or African descent walking down the street would have drawn attention. In fact, after noon on a Saturday it would have been rare to see anyone in our inner cities. In 1959, when Hollywood filmed "On the Beach", about an empty city after a nuclear war had wiped out humanity, they had their perfect set in Melbourne on a Sunday. A woman in a professional occupation was a rarity, although social work was making some early inroads. (In the mid 1960s, when I was studying engineering there was only one woman in our school of 300 students.)

There was also a very different economic order, known as the "Australian Settlement", which set strong controls on the economy. Manufacturers were offered tariff protection, and unions, in turn, backed by centralized wage fixing, could press their employers for high wages. There was little competition; firms were allowed to practice retail price maintenance, for example. If you had saved 12 weeks' wages to buy a television set, there was no point in shopping around, for all retailers charged the same price. Your only hope for a bargain was to find a black market operated with cash transactions from a car boot at the back of a pub. Banks had funds reserved for home loans – for eligible married couples, of course. Many businesses – the phone company, two airlines, a major bank, all water, electricity and gas utilities – were government owned, and they were generally heavily overstaffed.

For most Australians that era was “relaxed and comfortable”. Of course it was anything but relaxed or comfortable if you were a parent of one of the Stolen Generation, if you had different sexual preferences or if you suffered mental illness. But one defining characteristic, indeed a goal of public policy, was a high level of material equality and of employment security. Even as late as 1961, Menzies almost lost office because the unemployment rate had risen above one percent.

It was another country. To carry the analogy further, most were happy to leave that Australia behind, but some were to find the migration difficult, and they are still living among us as displaced persons.

The old order could not last. By the early 1970s its seams were becoming unstitched. Its undoing was partly due to domestic factors, such as the reforming zeal of the Whitlam Government, but it was more largely influenced by global developments, including what has come to be known as the first oil crisis. The “Australian Settlement” had essentially frozen Australia into a 1950s industrial structure, and 1950s material living standards – the envy of the world in 1955 but not in 1975. Those fortunate few who could afford to travel overseas would return with smuggled radios and cameras bought at a fraction of Australia’s prices, and, like East Germans who had enjoyed a glimpse of the forbidden West, they would tell stories about the wonderful cars and consumer durables, the long trading hours, and other material delights in other countries.

The 1970s were a tumultuous time in Australia – and in many other countries. Unemployment rose steeply, shooting up to 5 percent by 1977, and was to stay above that level for the next thirty years. Inflation peaked at 17 percent in 1974. The tried and tested government policies designed to stabilize our economy no longer worked, and with the benefit of hindsight, we can see they could no longer work, for the economy was sclerotic.

There were half-hearted and often misguided attempts at economic reform, but serious reform really didn’t start until 1983, with the election of the Hawke Government. Essentially this meant taking away the supports of the “Australian Settlement”, some faster than others. The exchange rate was floated, the finance sector was largely deregulated, tariffs started to be wound back, and effective trade practices legislation was introduced. Later during the Hawke-Keating Government more wage flexibility was introduced, and many government enterprises were privatized.

There were mistakes along the way. At times the Government was gripped by a libertarian pro-market zeal. Many government enterprises were sold too cheaply. “Reformers” often failed to understand Herman Leonard’s advice that certain activities could not be done, or could not be done well in the private sector. Indeed, some of the present financial turmoil, almost certainly, will be found to be due to excessive deregulatory enthusiasm.

But the reforms had their results for most people. It’s hard to appreciate the extent of the rise in material living standards over the last 50 years. Using 2008 prices, the average household income for a working family in 1960 was around $25 000 – just a little more than the present pension for an aged couple. Now it’s between $85 000 and $100 000. Some of this rise in material living standards results from technological developments, some from our endowment of minerals needed by a growing Chinese economy, and some from the increased participation by women in the paid labour force, but much can be attributed to an aggressive program of economic reform.

That's the positive side of the ledger, but the costs have been high, and they have generally been borne by the most vulnerable. They can broadly be categorized under the headings of unemployment, insecurity and inequality.

Unemployment

The economic collapse of the 1970s, and the reforms of the 1980s, had devastating effects on many people – effects which were not always evident to policymakers. Let's focus in on one region, the Hunter.

If we look at that region from the perspective of the analyst in Canberra, we would say it pulled through rather well. Jobs in steel making and downstream industries gave way to new opportunities in retail, finance, education and other service industries. Other jobs were lost in railroads, power generation and coal mining, mainly because of displacement of labour by capital and the end of protected employment conditions, while at the same time the Hunter became a prominent wine-making and tourism region.

That's the macro picture, but the micro picture is different. For the most part those new jobs didn't go to steel workers or coal miners, because there are some fundamental differences between "old" jobs and "new" jobs. In many manufacturing industries, for example, language and communication skills are not particularly important, but these skills are crucial in most service jobs. More basically, workplaces are not just technical structures; they are also social structures. They have their norms, their ceremonies, status symbols, and respect attached to skills and experience. This is particularly so in large organizations such as BHP Steel, or the State Rail Authority.

This is not to suggest these elements are entirely absent in wineries, universities or retail shops, but they were more institutionalized in traditional industries. For those who at one time reasonably expected a job in one company with a mapped out career path, there was a huge blow on losing a job, even if there were schemes of re-training available, for there is a loss of status, respect, and of a whole social network. And there was breach of an implicit contract to do with loyalty and security. Worse, this loss is often not understood by a later generation used to (even if not entirely accepting of) short stints in employment, and who, when they tell a miner from the Hunter that there are plenty of jobs in the Pilbara, don't understand that some people value stability as much as the younger generation values mobility.

Insecurity

Insecurity is hard to measure, because it is a matter of perception. An apparent paradox for social researchers is to find that ever since the recession of the early 1990s there has been a very low rate of layoffs and sackings. But those same researchers find that people report strong feelings of insecurity, and therefore a high level of anxiety.

It's not paradoxical. We may be able to last a long time on a tightrope, but we would probably prefer a solid floor. Many backstops which once provided security have gone. Many firms are operating on thinner margins and with impatient shareholders. Exchange rates fluctuate wildly; the firm with a strong domestic market today may find a new foreign competitor tomorrow. Television news abounds with stories of plant closures, and the clear message of WorkChoices (perhaps the message that helped eject the Howard Government) was that employees were at the mercy of ruthless market forces. Although these personal and corporate catastrophes are unlikely to occur, they form vivid impressions in people's consciousness.

One manifestation of insecurity is overwork. Australia may have a reputation of the land of the long lunch and the long weekend, but the reality is different. In fact, by some measures, the Aussie worker has overtaken the work-addicted Japanese salaryman. Among developed countries we come out top on working hours.

What happens in workplaces is best described as an "arms race", enforced by competition. No one particularly wants to overwork, but internal and external competition drive people to extreme ends. Employees of real estate agents, for example, compete among others in their own firms, and with those in other firms. All that effort does not result in a single extra house being sold, but woe to him or her or she who slackens off in this arms race.

Our working arms race is also driven by a consumption arms race as we strive to get hold of scarce resources, such as the "best" education for our children, or to top level private health insurance to jump the queue. I am sure many of you have stories of children deprived of parental attention, because their parents are working long hours to pay for private education. The old competition was to keep up with the Joneses; the arms race is about getting ahead of the Joneses. It's fuelled by advertising, which gives us the impression that we are guilty of child neglect if we don't have a swimming pool and a plasma TV. And we have had eleven years of a government which has spruiked up the economy, encouraging us to spend rather than save, to speculate rather than invest, and pretending that, thanks to its economic competence, we were in a new golden age of prosperity.

Insecurity also arises from high levels of personal debt. Someone with a few thousand dollars in the bank, or with a clean credit card, can cope with many of life's contingencies. But many have lost that buffer. We now have very high levels of household debt. Wesley Mission in Sydney found in that apparently prosperous city that 40 percent of households could not raise the modest sum of $2000 at short notice – the sort of money one might need for emergency car repairs or urgent overseas travel. That's a measure not only of people's individual financial resources but also of their connections into social networks.

The causes of high debt are many, and there are many competing explanations. Some suggest that, as memory of the Great Depression erodes, we have lost our saving culture and our capacity for deferred gratification, but that does not explain why our saving rate now is so much lower than it was forty years ago when we had full employment. Some suggest that superannuation has displaced other forms of savings. Some point to the practices of the financial sector: there was a time when we had to beg for a loan but now they try to force loans and new lines of credit on us. Financial innovations such as mortgage redraw and reverse mortgages give us more opportunity to borrow. Perhaps these forces may be waning, as banks learn that there is little point in lending to people who cannot repay, but it's amazing that it has taken banks ten years or more to learn this piece of financial wisdom.

Housing prices are an obvious driver of debt. House prices are high because demand is high, fuelled in part by high immigration (in itself a policy response to under-investment in skills), and in part by absurdly generous tax breaks for investors. We borrow heavily with the expectation that the burden of mortgage payments will ease; in fact, until recently, we were bombarded with political propaganda suggesting that sound public policy had affected an assured fall in interest rates.

The present debt crisis is hitting many people hard, including many who never believed they would never face financial hardship. Debt counselling services around Australia are finding a new client base of people whose financial security has vaporized overnight. Many people, understandably, feel badly let down.

Inequality

It is easy to demonstrate that materially almost everyone is better off than their counterparts in the past. We need do no more than to reflect on the material living standards of our grandparents, or, if we are old enough, our own childhood. Only in terms of access to housing could we say we have slipped significantly.

But our economic reforms have opened wide gaps between the rich and poor. Some have found huge opportunities in our more open economy, but, as pointed out, there have been many who have lost out. These gaps have been closed somewhat by social security payments – a point I want to raise a little further on.

What social workers may find amazing is that most economists don't get too fussed about inequality. "A rising tide lifts all boats" is one of economists' favourite responses to those who point out that our prosperity has come at the expense of greater inequality.

Behavioural economists run experiments, usually with students as subjects, asking questions such as:

> Which situation would you prefer? To have an income of $80 000 when the mean income across all of society is $80 000, or to have an income of $100 000 when the mean income is $150 000?

It's the sort of question social workers would probably not consider asking – akin to asking a five year old whether she prefers ice cream to broccoli. But economists ask it and are taken aback by the answers, particularly when MBA and finance students answer "irrationally".

Fairness counts, and perceived or real unfairness causes stress. If you are a teller working in the National Australia Bank, you may understand rationally that the $8.8 million paid to the CEO wouldn't go far if it were cut back, say, to $800 000 with the other $8 million spread over the bank's 40 000 employees – it would represent a pay increase of only $200 a head. That's the perspective of an economist – I should say a not-very-insightful economist. Social workers surely have a different and deeper understanding of the pain of unfairness.

Policy responses

There are three possible policy responses to these problems.

The first is to try to restore full employment through cutting the cost of labour. This was very much the principle underpinning WorkChoices, and it has been a central plank of US policy for many years; in that country minimum wages are around half the level they are here.

It is true that if wages are reduced enough, demand for labour rises. But there are huge problems with this approach, not the least of which is that in a world with global competition wages have to come down to near the levels prevailing in China and India.

Contrary to some political rhetoric, low wages actually encourage low productivity. If labour is cheap, there is little incentive for employers to invest in technologies and equipment, or in training, to increase workers' output. John Howard, in 1992, said we needed more "dead end" jobs. That's a vision of an economy with chronic under-utilization of its most precious resource, its people.

Those who advocate lowering wages to create employment aren't heartless. They advocate use of welfare benefits to supplement low incomes (provide those benefits don't give a disincentive to work). In fact, as wage disparities in Australia have widened over the last thirty years, governments, particularly the Commonwealth Government, have been increasing their outlays on social security. In the 1950s and 1960s social security transfers made up only 6 percent of household income; now they make up 14 percent, and they now reach into middle income households. We now have a wide range of benefits, some of which are known as "middle class welfare", which tend to compensate for disparities in private incomes.

And the policymakers are happy to provide permanent welfare for the "dropouts", the "no-hopers", who cannot get any work, just so long as they know their place and can endure the character-building humiliation of continuously proving their eligibility for benefits. It's much cheaper to keep some people on permanent welfare than to fix up the education system.

But do people want to live in a state of welfare dependence?

Social workers probably have a strong view on that point. The other issue is that as governments have increased outlays on social security, mainly to compensate for our economy's inability to provide well-paid employment for all, they have financed this expansion by cutting back on other areas of expenditure, such as education, infrastructure, and research, which are the very public goods we need to improve our long term productivity.

It's a dead end policy approach, but we're in it and we have to break out of it.

The second policy response is to try to turn the clock back – back to the 1960s. Protect existing industries. Stop the Chinese and Indians from taking our jobs, bring back tariff protection, allow some monopolization of our industries in exchange for them paying higher wages and employing more people.

An extreme manifestation of this approach was found in the following Pauline Hanson enjoyed. Its attraction, understandably, rises in times of hardship, when people feel under threat.

We see some of this approach still, in response to the challenge climate change is presenting to our rural industries, particularly our water-intensive industries. There are strong calls to protect these industries from change.

A retreat from economic liberalization would, indeed, work, and would probably restore some equality. For a few years anyway. Our more talented children would leave for more exciting places like New Zealand or Belgium, and in time immigrants would stop coming – at least that would solve our housing problem. We could enjoy a few years of prosperity until the Chinese stop buying our coal and oil, and then move into a national nursing home.

The third approach is to develop policies to strengthen our economy so that we can provide good, well-paid jobs without the need for welfare supplements. That requires investment, particularly in education and infrastructure. It is underpinned by a strong belief that all can benefit from education, targeted to individuals' particular talents; it rejects the notion of "dropouts" or "no-hopers".

Compatible with such an approach is the provision of some level of equity through universal services, particularly universal health care and shared public education, both of which have come under strain in recent years. Thus, at least one aspect of the arms race be quelled. The immediate productive benefits of good health care and education are obvious, but, beyond these, are wider benefits of having some areas of our lives we all share, to dispel any sense of exclusion, or, to use a term not much used in our society, to build some sense of solidarity and social inclusion.

The present Commonwealth Government is making some promising general policy responses in that direction. We have a Minister for Social Inclusion, we are promised an education revolution, we are promised action on infrastructure. Will the Government deliver?

Conclusion

Some may see the foregoing as coming from a soft "left" perspective, in contrast to the more hard-headed economic perspectives which dominate public policy.

But, in reality, it's all an economic perspective. It's just that I have referred to many costs – such as exclusion, frustration, insecurity, feelings of unfairness for example – which most economists tend to ignore.

They ignore them, in part, because they are hard to measure. But they also ignore them because people, including many in the caring professions, tend to be disengaged from the economic debates. They often see a struggle between "economic" and "social" policies, and perceive themselves to be on the weaker side of that struggle.

The struggle is wasted effort, for there is no point in economic activity if it does not contribute to social ends. The notion that social objectives have to be sacrificed for economic progress is on a logical par with the (apocryphal) statement from the Vietnam War "We had to destroy the village in order to save it."

Social workers, and others in the caring professions, have a rightful place at the table where economic policy is determined. Can we look forward to the day when, in our universities, social workers are teaching in economics courses, and in our Treasury and Finance Departments, there are as many people with degrees in social work and social administration as there are with degrees in economics?

That would make a world of difference.