



# The Obligation is Mutual

Discussion paper on mutual obligation

October 2007

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## **About Catholic Social Services Australia**

Representing 64 member organisations, Catholic Social Services Australia is the Catholic Church's peak national body for social services. It advises the Australian Catholic Bishops Conference on social policy issues as well as supporting the delivery of a wide range of social service programs.

For 50 years, Catholic Social Services Australia has assisted and promoted better social policy for the most disadvantaged people in Australian society. This continues a much longer tradition of such engagement by the Catholic Church in Australia.

Catholic Social Services Australia has the mission of promoting a fairer, more inclusive society that gives preference to helping people most in need. It is committed to an Australian society that reflects and supports the dignity, equality and participation of all people. To this end, Catholic Social Services Australia works with Catholic organisations, governments, other churches and all people of goodwill to develop social welfare policies and other strategic responses that work towards the economic, social and spiritual well-being of the Australian community.

Our 64 members employ over 6,500 people and provide 500 different services to over a million people each year from sites in metropolitan, regional and rural Australia. Services provided by our members encompass aged care, community care, disability services, drug and alcohol services, employment and vocational programs (including Job Network, Disability Open Employment and Personal Support Program), family relationship services, housing, mental health, residential care and youth programs.

## Summary

The puzzle of mutual obligation — with its tough work requirements, bureaucratic supervision and income support sanctioning — is why people have to be coerced into behaving in their own interest.

Politicians on both sides of politics argue that people are *better off* working than relying on income support. Work is better, not just for individuals, but for their families as well. As a result, forcing income support recipients to participate in programs which will help them find and prepare for work is justified.

A second argument for tougher mutual obligation requirements is that individuals have a *moral obligation* to contribute to the community through work. Emphasising moral obligation rather than well-being is a not-too-subtle sign that moving from welfare to work may not always make recipients better off. As difficult as life on income support payments might be, some of the jobs created in a more flexible labour market may be little better.

Lurking behind policies designed to enforce work obligations is the suspicion that some income support recipients are happier and more comfortable on 'the dole' than they are doing the 'right thing'. This largely untested idea has a profound effect on policy making. All welfare recipients are affected by suspicions about the behaviour of a few.

In the most recent wave of changes, attention has shifted from enforcing unemployed people's obligation to work to include enforcing parents' obligation to care for their children. In principle, anyone who receives an income support or tax benefit from the government could be subject to mutual obligation and bureaucratic supervision of their conduct. Policies created to address problems in remote Indigenous communities can eventually spread through the system as a whole.

Over the past 20 years there have been four important shifts in Australian mutual obligation policy. Obligations imposed on income support recipients have been:

- **Expanded beyond workforce participation** to include a more open ended set of 'obligations to society'. Prior to 1997 recipients of unemployment allowances were expected to search for work, accept job offers and participate in programs designed to help them prepare for and find work. With the introduction of Work for the Dole in 1997, recipients of unemployment allowances could be required to work in return for support. In 2007 the government announced that it would extend these obligations to include "behaviours that address, either directly or indirectly, the welfare and development of children."<sup>1</sup>
- **Extended in scope** by applying them to a broader range of allowances and pensions, and by transferring some individuals formerly receiving parenting or disability pensions to Newstart Allowance.
- **Applied to entire communities** as well as to individuals. As part of the 2007 national emergency response to child abuse in the Northern Territory, the government announced that it would apply mutual obligation requirements to all income support recipients in some Indigenous communities in the Northern Territory.
- **Enforced more harshly**. Individuals who fail to comply with the government's requirements have been subjected to increasingly harsh non-compliance penalties.

### The theory and origins of mutual obligation

The idea that recipients of government support have mutual obligations is not a new idea. In the early 20th century Fabian socialists, Sidney and Beatrice Webb, invoked the doctrine of mutual obligation against the 'reformed' English poor law and the philosophy of *laissez faire*.

The laissez faire solution to welfare dependency was to make claiming poor relief so difficult and unpleasant that the worst available job was better than life on relief. For supporters of laissez faire, the government's only obligation was to prevent the poor from starving to death. In its most extreme form, laissez faire holds that individuals have no positive obligations except those they choose to accept through contract.

In rejecting laissez faire, the Webbs invoked a "doctrine of a mutual obligation between the individual and the community."<sup>2</sup> For the Webbs, obligations were not freely chosen. For the 'unemployable' and work-shy, they called for disciplinary training with the threat of "the reformatory Detention Colony in the background."<sup>3</sup> Their plans for a welfare regime based on mutual obligation were eventually frustrated by the introduction of a system of social insurance — a system that appealed to self interest rather than moral obligation.

In the 20<sup>th</sup> century, Australian policy makers attempted to prevent poverty and destitution by promoting full employment and mandating a living wage. Income support was created as a safety net. After World War II the government accepted an obligation to maintain the conditions which would make full employment possible. But the economic problems of the 1970s and 80s convinced policy makers that the old employment-generating policies would no longer work.

By the 1980s policy makers had become convinced that much of Australia's unemployment was about a mismatch of skills rather than a lack of demand for labour. So if government was obliged to maintain full employment, this meant an obligation to educate and train the workforce, not just manage the demand for labour. This marked a return to the idea of a two-way obligation that had been promoted by the Webbs.

Under the Hawke and Keating governments, policy makers made unemployment allowances conditional on participation in programs designed to help recipients find and prepare for employment. The Keating Government put this principle of 'reciprocal obligation' into practice with the Job Compact, the centerpiece of its Working Nation initiative. Under the Job Compact the long term unemployed would be offered either a job or a place on a labour market program that combined paid work with training. Refusing the offer was a breach of reciprocal obligation requirements.

After the change of government in 1996 the Labor Government's Working Nation programs were dismantled. After a short period the new Coalition Government introduced Work for the Dole and announced the principle of 'mutual obligation'. Under mutual obligation, recipients of unemployment allowances could be asked to work in return for their payments.

Like the Webbs a century ago, the government does not believe that citizens can be left alone to pursue their interests — some people, such as welfare recipients, require state supervision. But going beyond this, the current government also argues that income support recipients have obligations to society that extend beyond accepting assistance to find work and avoid welfare dependence.

According to Joe Hockey, the Minister for Employment and Workplace Relations, "people of working age are much better off financially and psychologically if they find paid work." In a recent paper Hockey highlights Australia's low unemployment rate and cites evidence from Australian and international studies to support his claim that income support recipients will be better off even if they take casual and low paid work.<sup>4</sup>

If this is right then it is difficult to understand why individuals who are able to work would choose to remain on income support. Why is it necessary to impose mutual obligation requirements if incentives are already in place?

The government's current policies are based around the assumption that individuals are incapable of looking after their own interests and those of their families. Even though they would be better off in work, they fail to do what is needed to find it. In adopting mutual obligations the government, like

the Webbs, has turned away from market-based solutions and towards paternalism. Mutual obligation rests on the assumption that policy makers are more rational and more moral than income support recipients. Despite knowing their own circumstances far better than policy makers, the assumption is that income support recipients are too incompetent to be trusted to act in their own interests or to abide by widely held social norms.

Under our current system, if suitable jobs are freely available and people still remain on income support, many economists would conclude that these individuals were better off on welfare than they would be in work. If recipients are acting rationally in pursuing their interests, then forcing them into employment would make them worse off.

Like the policies promoted by the Webbs, today's mutual obligation policies are grounded in a rejection of this analysis. Supporters of mutual obligation deny that income support recipients are the best judge of what is in their own interest or that they are able to live according to their own moral values. As a category, income support recipients are judged to be incompetent.

Whether it is implemented by socialists or conservatives, mutual obligation policy embraces *paternalism*. The government claims the right to direct and supervise the lives of its citizens.

American academic Lawrence Mead has produced the most explicit justification of paternalism and mutual obligation policy. Mead argues that the jobless poor share the same values as other Americans but fail to live by them. While they believe in the work ethic they make little effort to find or keep paid employment. And, according to Mead, they tend to resist working in the only kinds of jobs which are available to them — menial, poorly paid jobs.<sup>5</sup>

Mead sees 'work for the dole' programs as part of a trend towards enforcement: "Government is moving away from freedom and towards authority as its basic tool in social policy."<sup>6</sup> Rather than using programs to improve incentives or opportunities, governments should use them to enforce social norms. Mead calls this approach 'the new paternalism.'

### **Catholic social teaching and income support policy**

In light of the Church's teaching, Catholic Social Services Australia argues that Australia's income support system should be guided by five principles:

1. **Respect for human dignity:** Mutual obligation policies should be designed, promoted and administered in a way that respects the dignity of individuals, their families and their communities. The policies should not be stigmatising or demeaning. Respect for human dignity is the key principle from which the other four principles flow.
2. **Respect for the rights of the family:** Family members have a right as well as a responsibility to make decisions about their own welfare and the welfare of children. Where possible, governments should help families take responsibility and support them to make the right decisions. In meeting its obligations to support individuals and families, government must assist – rather than attempt to control – individuals, families and communities.
3. **A right to financial support for those in need:** The community has an obligation to support individuals when they cannot support themselves or have family obligations which interfere with paid work. Because payments are made on the basis of need, accepting income support should not be seen as generating a 'debt to society' that needs to be repaid through work.
4. **A government that meets its obligations:** Government has obligations which extend beyond providing financial support. Individuals have obligations that can include contributing to the community through paid work or caring for family members. In turn, government has an obligation to help individuals meet their obligations and develop their

potential. Government can do this by pursuing full employment and providing the education, training and other services individuals need in order to develop their potential as contributing members of the community.

5. **Mutual obligation activities should benefit recipients and their families:** Mutual obligation activities should be implemented in a way that benefits either the income support recipient or those who rely on them for care. Policy makers should not use these activities to deter claims for income support or as a substitute for fraud prevention. Treating all income support recipients as dysfunctional and untrustworthy is inconsistent with a respect for human dignity.

While these principles are grounded in Catholic Social Teaching, Catholic Social Services Australia argues that the Church's social teaching can contribute to a dialogue with all people who are concerned with social well-being and human dignity.<sup>7</sup>

### **What's wrong with the current mutual obligation approach?**

From the perspective of the principles for income support policy, there are a number of major problems with the Australian Government's current approach to mutual obligation. This approach:

- stigmatises recipients of income support;
- is punitive and focused on deterring claims rather than assisting recipients to meet their obligations;
- frames welfare reliance as if it were a law and order issue with a focus on enforcement; and
- removes responsibility from individuals, families and communities.

The current approach to mutual obligation is crippled by unjustified pessimism about the ability of individuals, families and communities to take control of their own lives and futures. Blanket assumptions about the character of recipients and frustration with the poor performance of some labour market programs in the past has led to a punitive approach to mutual obligation that undermines dignity and freedom.

### **Making it mutual — towards a better mutual obligation policy**

Moving income support recipients from welfare to work should not be an end in itself. From the perspective of Catholic social teaching, the aim of income support and welfare to work policies is human development. The *Compendium of the Social Doctrine of the Church* makes this point clearly: "Each person must have access to the level of well-being necessary for his full development."<sup>8</sup>

Mutual obligation policy should not just encourage individuals to meet their obligations but should support them to develop their capabilities. There are five steps the Australian Government could take now to improve income support and employment policy:

1. **Review the adequacy of income support payments:** Countries with more adequate rates of income support have lower rates of poverty. US evidence suggests that adequate resources are particularly important for child outcomes.<sup>9</sup> Government should review the adequacy of income support payments and link rates to the actual cost of living for recipients.
2. **Clearly separate compliance from assistance:** Job Network and other employment services should not be used as compliance measures. Centrelink should be responsible for ensuring that income support recipients are eligible for assistance while Job Network agencies should focus on improving recipients' prospects for employment.

3. **Replace Work for the Dole:** Work for the Dole should be replaced with a work experience program designed to improve the employment prospects of participants. The new program should not be a mechanism for extracting work in return for benefits or deterring claims for income support. The name of the program should reflect its new purpose.
4. **Provide better support to parents:** US evidence suggests that moving parents from welfare to work does not automatically produce better outcomes for children.<sup>10</sup> Family income and the quality of care children receive outside the home make a difference. Government should move beyond a punitive approach to mutual obligation for parents and offer more evidence based support. Evaluation of the Welfare to Work initiative should measure the impact of the reforms on child well-being.
5. **Use evidence to inform policy change:** When new policies are implemented they should be supported by evaluation findings or well-established theory about what works. A number of the government's policies — such as quarantining as a solution to truancy — have no sound basis in evidence.<sup>11</sup>

Income support recipients do have obligations to the broader community. The problem with the current approach is that it fails to recognise that the obligation is mutual.

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# 1 Introduction

According to Employment and Workplace Relations Minister Joe Hockey “people of working age are much better off financially and psychologically if they find paid work.”<sup>12</sup> Labor’s shadow minister, Penny Wong agrees, writing that “people will have the best chance of building a prosperous future for themselves and their families if they have a good job.”<sup>13</sup> The puzzle of mutual obligation policies with their tough work requirements, bureaucratic supervision and income support sanctioning, is why people have to be coerced into acting in their own interest. Why would income support recipients resist the move from welfare to work if it would so obviously make them and their families better off?

As it is administered today, mutual obligation is an exercise in selective paternalism. While some Australians are treated as capable of taking responsibility for their own welfare, others are not. While recipients of the first home owners’ grant, drought relief and Family Tax Benefit are treated as responsible adults, recipients of ‘welfare’ payments like Newstart Allowance and Parenting Payment (single) are increasingly treated as though they are incompetent.

A second argument for tougher mutual obligation requirements is that individuals have a moral obligation to contribute to the community through work. The emphasis on moral obligation rather than self interest is a not-too-subtle sign that moving from welfare to work may not make all recipients better off. As difficult as life on income support payments can be, some of the jobs created in a more flexible labour market may offer little more. This is a fact that cabinet minister, Tony Abbott came close to acknowledging in a speech to the Centre for Independent Studies:

Why might a generous safety net designed to help people on the dole coupled with wage restraint designed to boost jobs turn out to make unemployment worse? Because for many people working has become more trouble than it’s worth. Wage restraint might indeed produce a glut of jobs, as economists claim, but not of willing workers to fill them in the absence of either a strong work ethic or a welfare system geared to keeping people active.<sup>14</sup>

Tony Abbott quotes the American academic Lawrence Mead in a support of mutual obligation policy. For Mead these kinds of policies are part of the ‘new paternalism’ — an approach that “assumes that government agencies can direct the lives of the disadvantaged better than they do themselves.”<sup>15</sup>

Few would disagree with the idea that there is an obligation to contribute to community through work (paid or otherwise), but there is little agreement about what this means for government policy. In a 1941 essay, George Orwell imagined a society where nobody would be able to live without working — a society where all those who were able to contribute to the community were obliged to do so. But the non-contributing citizens he had wanted to put to work were not unemployed workers or single mothers, but the ‘idle rich’ who made their living from the returns on shares and property.<sup>16</sup> As the Centre for Independent Studies’ Peter Saunders rightly observes, if work is an obligation of citizenship then, logically, it must apply to everyone.<sup>17</sup> If work really is a moral obligation, why not apply mutual obligation to the idle rich?

Building on the Hawke Government’s reciprocal obligation policies of the late 1980s and the Howard Government’s Work for the Dole initiative of 1997, mutual obligation requirements have expanded over time. Where they once applied only to unemployed young people, they can now apply to older adults, single parents, people with disabilities and entire Indigenous communities. Where they once applied only to labour market participation, they can now cover activities such as parenting. It is not clear where the expansion of government-imposed mutual obligations will end.

The position of Catholic Social Services Australia is informed by Catholic social teaching. A key element of this teaching is respect for human dignity and the freedom that implies. Individuals, families and communities have a right to take responsibility for their own affairs. From this perspective, current mutual obligation policies:

- Stigmatise entire groups of income support recipients by singling them out for special treatment on the basis of their alleged incompetence;
- Are punitive and focused on deterring claims for assistance rather than assisting recipients to meet their obligations and develop their potential;
- Frame welfare reliance as if it were a law and order problem with a focus on enforcement; and
- Remove responsibility from individuals, families and communities.

Catholic Social Services Australia takes the position that income support payments should be adequate for the needs of recipients and their families and that any requirements imposed on income support recipients should be for their benefit. The rationale for requirements should be based on sound evidence rather than opinion, and non-government agencies participating in Job Network and other programs should not be expected to take over Centrelink's role in preventing fraud and policing compliance with eligibility rules.

As a first step towards a more balanced system of obligations, the government should replace Work for the Dole with a work experience program that is explicitly designed to improve the employment prospects of participants. Such a program would not be designed to extract work in return for benefits or to deter claims for income support. The name of the program should reflect its new purpose.

The government's role should be as an enabler rather than an enforcer. In a system of genuine mutual obligation government interventions would enhance opportunity, create incentives and provide resources that would encourage and enable people to take responsibility for their own lives.

## **2 The Australian Government's mutual obligation policy**

With the creation of Work for the Dole in 1997, the Australian Government asserted that individuals claiming unemployment allowances have an obligation to work in return for income support. Once confined to the able-bodied unemployed, mutual obligation requirements can now apply to single parents and people with disabilities. The range of obligations has also expanded.

More recent changes extend the mutual obligation principle into the lives of families and communities. Families, Community Services and Indigenous Affairs Minister Mal Brough said in August 2007, when introducing into Parliament legislation providing for "income management" (or "quarantining") of income support payments:

The government's aim is to extend the principle of mutual obligation beyond participation in the workforce to a range of behaviours that address, either directly or indirectly, the welfare and development of children.<sup>18</sup>

Centrelink and contracted welfare agencies will now have the authority to intervene in the lives of individual families and communities. While this significant policy change is being justified on the grounds that some parents are neglecting and abusing their children, it is not clear what limits there are to future interventions. After all, there are few parental behaviours that do not influence the welfare and development of children in some way.

Over the last decade obligations imposed by government on income support recipients have increased at a time when obligations imposed on most other members of society have not. Under recent changes to workplace relations legislation, for example, employers have fewer obligations to their employees than before. While the government claims community values as a mandate for expanding the range of obligations imposed on income support recipients, there has been little opportunity for the community to be involved in policy making. In justifying the the most recent

changes, Mr Brough said that the need to act on a national emergency in Indigenous child welfare was so urgent that there was no time for 'red tape' and 'talkfests'.<sup>19</sup>

In the United States the extension of mutual obligation has gone even further than in Australia. For example, in a last minute change to the 1996 welfare reform bill, Texas senator Phil Gramm pushed through an amendment that enabled states to prevent individuals from receiving income support or food stamps if they had a conviction for drug use, possession or distribution.

## 2.1 The scope of mutual obligation requirements — actual and potential

Mutual obligation tests fall into five categories. Some of these tests have been applied in Australia while others have been applied overseas.

- **Work test:** Under a work test, recipients of unemployment allowances must show that they are taking reasonable steps to find work and that they are willing to accept suitable job offers. This requirement has always applied to unemployment allowance claimants in Australia.
- **Activity test:** An activity test expands on the work test by requiring recipients to address barriers to work, such as a lack of marketable skills. It was introduced into Australia in 1989 where the policy of 'reciprocal obligation' required recipients of Newstart Allowance to participate in government-funded labour market programs. Recent changes under Welfare to Work, which began operating in 2006, are moving some groups of single parents and people with disabilities onto unemployment allowances rather than parenting payments or disability pensions, and bringing them under the activity test regime. The same set of changes has meant that some single parents remaining on parenting payments are also now subject to activity tests.
- **Workfare test:** A workfare test requires recipients to work off the value of their income support payment in order to remain eligible. The test was introduced in Australia in 1997 with the creation of the Work for the Dole scheme. Initially applied only to the young unemployed, it was later extended to other groups.
- **Conduct tests:** The most radical development is of the introduction of 'conduct tests' unrelated to labour market participation. These tests attempt to enforce a much broader set of obligations that extend beyond searching for or preparing for paid work or "working off" income support payments.

One kind of conduct test is to require parents to meet certain obligations to the children in order to avoid having their parenting payments 'quarantined' or managed on their behalf. These obligations can include making sure children are enrolled in school and attending regularly. While this policy was introduced in the Australian Government's August 2007 legislation package on its "emergency response" to the situation in Northern Territory Indigenous communities, in some respects it applies beyond the Indigenous context.

In the future policy makers test could expand the conduct test to include other social obligations such as abstaining from drugs and alcohol, abstaining from offensive or threatening behaviour and keeping a clean and tidy house and garden.<sup>20</sup>

Conduct tests can also be imposed on entire communities rather than being restricted to individuals. The Government's emergency measures for Indigenous communities in the Northern Territory will 'quarantine' the income support payments of all community residents, not just those who fail to meet their obligations.

- **Character test:** In some US states, individuals with a felony conviction for illegal drug possession, use or distribution are banned for life from receiving income support.<sup>21</sup> This amounts to a character test similar to that used in immigration policy.

Australian policy-makers have not proposed applying a character test for income support eligibility.

## **2.2 The expansion, extension and increasingly harsh enforcement of mutual obligation requirements**

Over the past 30 years there have been four important shifts in Australian mutual obligation policy. Obligations imposed on income support recipients have been:

- Expanded beyond workforce participation to include a more open ended set of 'obligations to society';
- Extended in scope so that they now apply to broader range of allowances and pensions, and by the transfer to Newstart Allowance of many individuals formerly receiving parenting or disability pensions;
- Applied to entire communities as well as to individuals: and
- Enforced more harshly. Individuals who fail to comply with the government's requirements have been subjected to increasingly harsh non-compliance penalties.

### *2.2.1 Moving beyond workforce participation*

Prior to 1997, mutual or reciprocal obligations were restricted to workforce participation. Income support recipients on activity tested allowances were expected to search for work, accept reasonable job offers and take advantage of labour market programs such as job clubs, work experience programs and short training courses.

With the introduction of Work for the Dole in 1997, the Australian Government introduced a 'workfare test'. Income support recipients could be asked to 'give something back to the community' in return for their payments. As the employment minister, David Kemp, put it: "Mutual obligation is a principle which states that it is fair and just that people receiving unemployment allowances be asked to make a contribution to the community in return."

Dr Kemp was clear about the purpose of Work for the Dole. He told Parliament that "The government recognises that the work for the dole initiative is not a solution to youth unemployment and has not represented it as such."<sup>22</sup> Government members stated that this was not a labour market program and was, because of this, fundamentally different to the previous government's programs under the Working Nation initiative.<sup>23</sup>

In 2007 the Prime Minister expanded the scope of mutual obligation again when he announced that income support recipients should "meet basic obligations to society" in return for their payments.<sup>24</sup> According to Families, Community Services and Indigenous Affairs Minister Mal Brough, these basic obligations can include an unspecified range of "behaviours that address, either directly or indirectly, the welfare and development of children."<sup>25</sup>

Recipients who fail to meet certain perceived obligations may now be sanctioned by having their income support payments subjected to 'income management' ('quarantined'). Prior to this new system, where recipients did not voluntarily enter into Centrelink's scheme for diverting income support payments towards bills, then the effect of the inalienability of income support payments was that all payments were made directly to recipients. Now, where certain circumstances are met (including residence in certain Northern Territory Indigenous communities), a proportion of income support payments will be put under the control of Centrelink or a non-government agency. Centrelink or the agency will then manage the quarantined income to meet essential expenses such as food, clothing and housing.

### 2.2.2 *Extending the scope of mutual obligation — from the unemployed to single parents and people with disabilities*

Before 2001, activity testing and Work for the Dole applied only to recipients of unemployment allowances. That has now changed, particularly since the 2006 Welfare to Work package.

The participation requirements imposed on principal carers receiving income support are one example.

With the introduction of the Australians Working Together initiative, activity testing was extended to recipients of Parenting Payment — but was mandatory only for parents whose youngest child was aged between 13 and 15. From 1 July 2006 these obligations were strengthened. Activity testing and Work for the Dole were applied to parents with children aged 6 to 15 and to people with disabilities capable of working part time.

Currently an activity test applies to most new applicants for Parenting Payment (Single or Partnered) from the time their youngest child turns six. When a single parent's youngest child turns eight they can no longer receive Parenting Payment and must apply for another income support payment such as Newstart Allowance. By contrast, new applicants for Parenting Payment (Partnered) must apply for another payment when their youngest child turns six.

Different rules apply to those who were granted Parenting Payment before 1 July 2006. If there are no extended breaks in their receipt of Parenting Payment, such recipients can remain on Parenting Payment until their youngest child turns 16. However, they do face an activity test beginning when their youngest child turns seven.

After six months, recipients of Parenting Payment can be subject to a workfare test.

### 2.2.3 *From individuals to communities*

As part of the 2007 national emergency response to child abuse in the Northern Territory, the government announced that it would apply mutual obligation requirements to all income support recipients in some Indigenous communities in the Northern Territory. As Mal Brough explained:

Fifty per cent of the welfare payments of all individuals in the affected communities will be income managed for an initial period of 12 months during the stabilisation phase.

This broad-based approach is needed to address a breakdown in social norms that characterises many of our remote Northern Territory communities.<sup>26</sup>

This means that all income support recipients in these communities will be treated as if they had breached their obligations.

### 2.2.4 *Increasingly harsh non-compliance penalties*

As well as linking a range of new obligations to the income support system and shifting more recipients to unemployment payments, the Howard Government has enforced obligations more vigorously and harshly than governments in the past.

According to the National Welfare Rights Network and the Australian Council of Social Service, the number of income support penalties applied to Newstart and Youth Allowance recipients increased by 250% from 1997-98 to 1999-2000.<sup>27</sup>

Before the most recent changes in July 1 2006, unemployment payment recipients could be subject to a reduction in their rate of payment or complete loss of payment for a set period (eight weeks) if they failed to meet the governments requirements. After July 1 2006 the government changed the system of penalties. According to the Department of Employment and Workplace Relations:

The new arrangements make a clear link between receiving an income support payment and a job seeker actively participating in employment services and meeting their other requirements. They do this by giving job seekers an opportunity, following an initial failure, to avoid a financial penalty by meeting the requirement they originally failed to meet. However, a fixed term 8 week non-payment penalty has been retained as a deterrent to repeated or more serious activity test failures.<sup>28</sup>

The effect of this change was an increase in the numbers of recipients losing income support entirely for an eight week period. According to Patricia Karvelas of the *Australian* 4653 people had been cut off payments in the first six months after the changes.<sup>29</sup> The numbers continued to increase. By the end of June 2007 15,509 income support recipients had incurred an eight week non-payment period.<sup>30</sup> By contrast, during the year preceding the introduction of Welfare to Work only 6,432 people had lost all payments for eight weeks.<sup>31</sup>

### 3 The theory and origins of mutual obligation

#### 3.1 Mutual obligation as a reaction against laissez faire

It might seem surprising today, but mutual obligation began as a socialist doctrine. In the early 20th century Sidney and Beatrice Webb invoked mutual obligation against the 'reformed' English poor law and the philosophy of laissez faire. For the supporters of the laissez faire philosophy of free markets and minimal government the government's only obligation to the poor was to keep them from starving to death. And to make sure that paupers did not take unfair advantage of this generosity, public officials saw to it that life on the dole was as difficult as possible. As one 19<sup>th</sup> century writer explained:

There remains the larger class of paupers, whose faults, whatever they may be, do not amount to punishable crime. For these the only alternative mode of repression is to make things very uncomfortable by strict investigation and close supervision.<sup>32</sup>

The laissez faire solution to welfare dependency was to make claiming poor relief so difficult and unpleasant that the worst available job was better than life on relief. Policy makers talked openly about deterring claims through 'repressive measures.' The reformed poor law of 1834 was so harsh that even Conservatives argued that the relief of poverty was being mistaken for a law and order issue. In 1837 Benjamin Disraeli attacked the 1834 law as "a moral crime and a political blunder" and said that "it announces to the world that in England poverty is a crime."<sup>33</sup>

In its most extreme form, laissez faire holds that individuals have no positive obligations except those they choose to accept. Obligations are not tied to an individual's role in the community but arise through contract — the bargains individuals and firms make with each other in the market place.<sup>34</sup> Like today's libertarians, the defenders of laissez faire argued that governments should not tell employers how to run their businesses or workers how to run their lives. Laissez faire means that government leaves people alone. It does not tax the rich to support the poor, set minimum wages or put limits on the bargains individuals strike in the market place. Individuals are responsible for taking care of themselves and their families.

In practice this means that people who are in a weak bargaining position are forced to accept whatever conditions employers, charities or government welfare agencies are willing to offer. Under laissez faire employers have no obligation to offer a minimum standard of pay or conditions. And charities and welfare agencies are free to impose whatever conditions are the easiest and most efficient to administer. If claimants are regarded as having no right to assistance, then agencies are free to impose humiliating conditions as a way of weeding out unnecessary claims.<sup>35</sup>

In rejecting laissez faire, the Fabian socialists Sidney and Beatrice Webb invoked a "doctrine of a mutual obligation between the individual and the community."<sup>36</sup> The Webbs argued that the community had an obligation to *prevent* poverty as well as to relieve it. The well-being of individuals is "the joint responsibility of an indissoluble partnership", they wrote. On the one hand,

this meant that taxpayers had an obligation to fund services including health care and education. On the other, it meant that individuals had greater responsibilities:

It is... an inevitable complement of this corporate responsibility, and of the recognition of the indissoluble partnership, that new and enlarged obligations, unknown in a state of *laissez faire*, are placed upon the individual — such as the obligation of the parent to keep his children in health, and to send them to school at the time and in the condition insisted upon; the obligation of the young person to be well conducted and to learn; the obligation of the adult not to infect his environment, and to submit when required to hospital treatment. To enforce these obligations — all new since 1834 — upon the individual citizen, experience shows that some other pressure on his volition is required than merely leaving him alone.<sup>37</sup>

As socialists, the Webbs had few qualms about expanding the powers of the state. In order to prevent individuals and families from falling into destitution, they argued that:

there should be a searching out of all incipient cases and such a disciplinary supervision as will prevent persons from becoming destitute through neglected infancy, neglected childhood, preventable illness, and voluntary unemployment.<sup>38</sup>

For the 'unemployable' and work-shy, the Webbs called for disciplinary training with the threat of "the reformatory Detention Colony in the background."<sup>39</sup> Under the Poor Law system, individuals were able to avoid discipline and supervision as long as they did not ask for relief. But under a system guided by mutual obligation this would no longer be possible. Mutual obligations were not generated by contract, but applied to all individuals whether they chose to accept them or not.

The Webbs' plan to create a system based on obligation rather than contract was frustrated by the Asquith Government's President of the Board of Trade, Winston Churchill. The Asquith Liberal government began dismantling the poor law but, contrary to the Webbs' vision, replaced it with a system of social insurance.<sup>40</sup> Rather than the Webbs' ideal of paternalism and prevention, the guiding principle of the new Liberal system was enlightened self interest. Churchill's main concern was that the risks were properly calculated so that the benefits paid out were matched by contributions paid in. And while contributions to the scheme would be compulsory, the benefits paid would not be conditional. He fought hard to exclude moral considerations such as a bar on claimants who had been dismissed for misconduct. As he explained to a colleague:

I do not like mixing up moralities and mathematics. Some admixture of personal considerations is no doubt inevitable in the working of any such scheme but safety lies in the discovery of clear, ruthless mathematical rules to which the self-interest of individuals prompts them to conform and failure to conform to which automatically relieves the fund.<sup>41</sup>

Churchill lost the battle over misconduct but won the broader struggle against the Fabian socialists. Sidney Webb wanted insurance to be voluntary and relief to be conditional. Webb argued that the state should supervise and discipline claimants through institutions such as training depots, farm colonies and detention settlements.<sup>42</sup> Churchill placed far less emphasis on these kinds of measures. While he did suggest farm colonies as a measure for "tramps and wastrels" he also added that "there are idlers and wastrels at both ends of the social scale".<sup>43</sup>

While benefits did become more conditional over time<sup>44</sup>, Churchill's vision was for a system of strictly limited compulsion. As historian Bentley Gilbert put it, "He refused to let the state use its power over those in distress for any purpose except to relieve distress." Churchill sought to use the power of the state to expand, rather than limit, the freedom of the individual.<sup>45</sup>

### **3.2 Welfare through work — the obligation to promote full employment**

The British Liberals believed that the government had obligations that went beyond relieving destitution. David Lloyd George (the Chancellor of the Exchequer) said that, "Gradually the obligation of the State to find labour or sustenance will be realised and honourably interpreted. Insurance will then be unnecessary."<sup>46</sup> This idea had also taken hold in Australia, but in a different form.

At the heart of Australia's early 20<sup>th</sup> century system of social protection was the idea that government could promote employment and prevent poverty through a system of industry protection and a mandated living wage. This was part of what journalist Paul Kelly has called the Australian Settlement.<sup>47</sup> But as the Second World War came to a close Australian policy makers turned to a new economic tool — Keynesian demand management.

With the 1945 white paper *Full Employment in Australia* the Australian Government announced that “the maintenance of conditions which will make full employment possible is an obligation owed to the people of Australia by Commonwealth and State Governments”.<sup>48</sup> In this approach, the newly created unemployment benefit was to be a safety net for those temporarily between jobs and those with special difficulties. Unlike Britain's unemployment benefit, Australia's was explicitly funded through taxation rather than contributions. It was a welfare rather than an insurance system. In his second reading speech to the Senate, social services minister Jim Fraser explained that “the Government's policy will be most actively directed to assuring maximum employment, but we realise that there will always be a certain percentage needing financial aid.”<sup>49</sup>

The 1945 white paper was strongly influenced by the Keynesian idea that governments were able to maintain a high and stable rate of employment by using spending to manage demand. In the ideal world of full employment, any able-bodied person who was willing to work could find a job if they looked hard enough and were not overly choosy about what they did. There would be no need for the make-work projects of the depression years.

Australia's faith in Keynesian demand management was shared by policy makers in Britain and the United States. In its final issue for 1965, *Time* magazine's cover story was titled “We are all Keynesians Now”.<sup>50</sup> But when the oil shocks and stagflation of the 1970s hit, policy makers' faith in Keynesianism was shaken. Australia's employment white paper had promised no more make work schemes, but with unemployment rising, the schemes returned. The Whitlam Government's Regional Employment Development Scheme (REDS) was one of a series of Australian job creation programs that included the Fraser Government's Wage Pause Program (WPP) and the Hawke Government's Community Employment Program (CEP).

While economically trained members of the policy community might have remained committed to the idea that governments had an obligation to maintain full employment, the experience of the 1970s undermined their confidence that governments could deliver. Attention shifted away from policies which attempted to increase the demand for labour, and towards policies that influenced its supply.

### **3.3 Labour market programs and the ‘activity test’**

By the 1980s policy makers had become convinced that much of Australia's unemployment was structural rather than cyclical.<sup>51</sup> So if government was obliged to maintain full employment, this meant an obligation to educate and train the workforce, not just manage the demand for labour. This marked a return to the idea of a two-way obligation promoted by the Webbs. Under the Hawke and Keating governments, policy makers made unemployment allowances more conditional. Participation in government assistance was not voluntary.

In contrast to policies of demand management, this structural policy was *paternalistic*. The assumption behind it was that income support recipients could not be trusted to act in their own interests or to meet their moral obligations to the community. There was a nagging suspicion that the kinds of jobs available to disadvantaged income support recipients left them little better off than they were on welfare.<sup>52</sup>

#### *3.3.1 The discovery of reciprocal obligation*

The Social Security Review of the 1980s was the Australian Government's first attempt to grapple with the implications of structural unemployment. According to the report's author, Bettina Cass, unemployment benefits had always involved a reciprocal obligation — “An unemployed person is

required to actively look for work and in return society accepts an obligation to pay income support.”<sup>53</sup> But if the problem was a mismatch between the skills of the unemployed and what employers demanded, then looking for work was not enough.

The Social Security Review recommended compulsory education and training schemes to improve unemployed people’s employment opportunities. As a result, reciprocal obligation would take a new form:

The work test in effect would be replaced by a work/training test or activity test. This carries with it the reciprocal obligation on society (which includes government and the private sector) to provide training and retraining programs for those who are expected to meet the conditions of an activity test.<sup>54</sup>

In 1988 the government announced that it would put the principle of reciprocal obligation into practice with the NEWSTART strategy. Employment Minister John Dawkins and Social Security Minister Brian Howe together announced a strategy that combined additional assistance for the long term unemployed together with new and tougher obligations to look for work and take advantage of assistance.<sup>55</sup>

In 1993 the concept of reciprocal obligation was taken up by the Committee on Employment Opportunities — a committee set up by the Keating Labor Government. In the green paper *Restoring Full Employment* the committee argued that:

As the period of unemployment increases, so does the obligation on the Government to assist the unemployed person into a job, and likewise the obligation on the unemployed person to take more steps to find work and not refuse reasonable opportunities.<sup>56</sup>

According to the Committee, the “limited assistance and jobs available” to long-term unemployed meant that their obligations were not consistently enforced. To make reciprocal obligation a reality the Committee suggested a ‘Job Compact’. Every unemployment allowance recipient who remained unemployed for 18 months would be offered a job and, if they turned it down, their allowance would be suspended. To meet its obligation, the government would offer wage subsidies to employers and fund job creation/training programs. The Job Compact proposal was adopted as part of the government’s Working Nation initiative in 1994.

### 3.3.2 *The politics of reciprocal obligation*

One of the motivations for both NEWSTART and the Job Compact was to shore up the legitimacy of the income support system.<sup>57</sup> According to Peter Baldwin, then Minister for Social Security, many Australians believed that the income support system was encouraging unemployment, youth homelessness and single parenthood.<sup>58</sup> This public perception of obligation-avoidance rests on the assumption that income support recipients are happier and more comfortable on ‘the dole’ than they are doing the ‘right thing’.

At the same time as he put in place tougher obligations, Baldwin argued for a more flexible and responsive income support system that would “enhance people’s capacity to exercise choice” and “take control of their own lives.” Increasingly there was a tension between the ideal of using the income support system to enhance positive liberty and the inflexible, timetabled obligations of Working Nation and the Job Compact.

Reciprocal obligation policies clearly had a political as well as an ethical motivation. Rather than challenging negative perceptions about income support recipients, the government assured the public that it was getting tough on ‘bludgers’ and ‘rotters’. In order to shore up support for the social security system and additional spending on employment assistance, ministers imposed new work obligations on recipients.

Keating adviser Don Watson has been remarkably candid about this strategy. According to journalist Pamela Williams, he and Don Russell tried to persuade Keating to take a tougher line on

reciprocal obligation. “If you say, We’ll have all the social supports people need, then you’ve got to be twice as savage on those who are undeserving and roting the system”, he said.<sup>59</sup> In his own memoir of the Keating years Watson writes that he and Russell tried to persuade the Prime Minister to introduce a work for the dole scheme to appease “battlers” discontented with the welfare system. “If their complaints derived more from unlovely envy than actual hardship,” writes Watson, “it was all the more urgent to recognise them.”<sup>60</sup> In the end, however, Keating ignored their advice.

Keating’s predecessor Bob Hawke had hinted about introducing a work for the dole scheme in 1986 but then backed away, announcing a voluntary scheme instead. At the time the Coalition responded by pushing for a compulsory scheme.<sup>61</sup> In 1992 a compulsory work for the dole scheme became a key part of the Coalition’s *Fightback* manifesto — the document Liberal leader John Hewson took to the 1993 election.<sup>62</sup>

According to Williams, the Coalition also considered promising a work for the dole scheme during the 1996 campaign but abandoned the idea as too politically risky. Instead they planned to cut spending by winding back Working Nation’s labour market programs and tightening the work test for unemployment benefits.<sup>63</sup>

### 3.3.3 *Mutual obligation and Work for the Dole*

In 1996 the government changed and the reciprocal obligation commitment embodied in the Job Compact was temporarily shelved. The Howard government’s 1996 discussion paper *Reforming Employment Assistance* argued that Working Nation’s jobs programs had “failed to deliver lasting employment outcomes” and that “Unrealistic ‘job guarantees’ will be abandoned.”<sup>64</sup>

Under the new government’s first wave of employment assistance reform income support recipients faced a more relaxed set of obligations. The Commonwealth Employment Service and work-oriented labour market programs like the Landcare and Environment Action Program (LEAP), Jobskills and New Work Opportunities were replaced with a privatised Job Network. Job Network providers had a considerable amount of discretion about what to demand from their clients and, in some cases, demanded and offered little.<sup>65</sup>

This hands off approach to enforcing obligations was short lived. In 1997 the Coalition revived the work for the dole idea. In announcing the introduction of the Work for the Dole scheme in 1997, Employment Minister David Kemp invoked the principle of mutual obligation — “that it is fair and just that people receiving unemployment allowances be asked to make a contribution to their community in return.”

## 3.4 **Mutual obligation and Howard’s ‘modern conservatism’**

Mutual obligation has become a centrepiece of Prime Minister John Howard’s philosophy of ‘modern conservatism.’ In 1999 he contrasted this philosophy with other forms of conservatism:

...the philosophy of an older conservatism built on ‘noblesse oblige’ would advocate government support for those out of work until such time as they found employment of their choosing without providing a coherent set of incentives and assistance to encourage such an outcome.

The philosophy of laissez-faire libertarianism, on the other hand, would take a different course advocating that the minimisation of government support is the most effective incentive for encouraging self-reliance.

Our modern conservative approach, however, takes a different approach to both these perspectives. We recognise the obligation on government to support those in need but we also provide real incentives and assistance to avoid welfare dependence.<sup>66</sup>

With mutual obligation, however, Howard’s modern conservatism goes beyond incentives and assistance. In a recent speech he said:

...we have put the principle of mutual obligation at the heart of Australia's social security system — the principle that all Australians are entitled to income support when their personal circumstances demand it, but the community can expect those who receive support to help themselves and to meet basic obligations to society in return.<sup>67</sup>

Like the Webbs a century ago, Howard does not believe that citizens can be left alone to pursue their interests — some people, like welfare recipients, require state supervision. But going beyond this, Howard also argues that income support recipients have obligations to society that extend beyond accepting assistance to find work and avoid welfare dependence.

There is another significant difference between Howard's modern conservatism and libertarianism that he does not discuss. Most libertarians argue that income support recipients will move from welfare to work if it is in their best interests to do so. According to this version of economic liberalism, it is only necessary to force individuals to do things which are *not* in their interests. The puzzle behind the modern conservative approach is explaining why, if moving from welfare to work benefits individuals, compulsion is necessary.

### **3.5 Justifying paternalism**

According to Joe Hockey, the Minister for Employment and Workplace Relations, “people of working age are much better off financially and psychologically if they find paid work.” In a recent paper Hockey highlights Australia's low unemployment rate and cites evidence from Australian and international studies to support his claim that income support recipients will be better off even if they take casual and low paid work.<sup>68</sup>

If Minister Hockey is right then it is difficult to understand why individuals who are able to work would choose to remain on income support. Why is it necessary to impose mutual obligation requirements if incentives are already in place?

There are two common responses to this. The first is to argue that people on income support lack the resources they need to move from welfare to work. To benefit from the growth in employment they need help with resources — better education, training, child care or other supports. This was the rationale behind the Working Nation initiative. This response denies the claim that income support recipients choose to remain out of the workforce.

The second response is to deny that income support recipients are always better off in work than they are on income support. It may be that casual and part time jobs available to workers with limited education and skills or significant caring responsibilities are not a better alternative to remaining on income support. The jobs may be too low paid, too insecure and offer too limited an opportunity for career advancement. To encourage income support recipients to move from welfare to work the government needs to offer additional incentives. This response challenges the idea that Canberra-based policy makers are better judges of what is in an individual's interest than the individual themselves.

The government rejects both these responses. Its policies are based around the assumption that individuals are incapable of looking after their own interests and those of their families. Even though they would be better off in work, they fail to do what is needed to find it. In adopting mutual obligations the government, like the Webbs, has turned away from the market-based solutions of libertarianism and towards paternalism. Mutual obligation rests on the assumption that policy makers are more rational and more moral than income support recipients. Despite knowing their own circumstances far better than policy makers, income support recipients are too incompetent to be trusted to act in their own interests or to abide by widely held social norms.

### 3.5.1 *Modern libertarianism*

Today's libertarians and classical liberals are the heirs to the 19<sup>th</sup> century's laissez faire liberalism. Most do not support a strictly laissez faire system but do want to minimise government interference in the economy and in the lives of individuals.

Along with resistance to the idea that individuals have positive obligations to each other that do not arise from voluntary contract, is a strong resistance to paternalism in government policy.

Paternalism takes two forms. In the first, policy makers attempt to manage people's lives for their own good. For example, they might attempt to force car drivers and passengers to wear safety belts or prevent them from buying addictive drugs. In the second form, policy makers attempt to force individuals to live according to moral principles — even if doing so is against those individuals' self-interest. For example, forcing income support recipients to take low paid jobs that, the recipients believe, reduce their standard of living.

Most libertarians argue that responsible adults are the best judges of what is in their own interest. While people might sometimes make mistakes, these mistakes are likely to be less serious than those made by bureaucrats acting on their behalf. While libertarians might have private views on moral issues, they typically argue that governments should not impose their own moral views on individuals whose behaviour is not harming anybody else.

The libertarian economist Milton Friedman argued that governments should replace income support and welfare programs with a negative income tax.<sup>69</sup> Rather than being forced to look for work, participate in welfare programs and accept supervision from government bureaucrats, every person earning below a certain income would receive a no-strings-attached payment from the government. If individuals chose to live on this payment rather than accept paid work then this would be an indication that work would have made them worse off.

Other libertarian economists argue that governments should reduce the numbers of people in poverty by making work more financially attractive than welfare. Gary Becker, for example, has argued that the United States should expand its Earned Income Tax Credit — an income tested payment to low income, working families.<sup>70</sup>

Under our current system, if suitable jobs are freely available and people still remain on income support, most economists would conclude that these individuals were better off on welfare than they would be in work. Forcing these income support recipients into employment would make them worse off.

Like the policies promoted by the Webbs, today's mutual obligation policies are grounded in a rejection of this analysis. Supporters of mutual obligation deny that income support recipients are the best judge of what is in their own interest or that they are able to live according to their own moral values. As a category, income support recipients are judged to be incompetent.

Whether it is implemented by socialists or conservatives, mutual obligation policy embraces *paternalism*. The government claims the right to direct and supervise the lives of its citizens.

### 3.5.2 *Lawrence Mead and the new paternalism*

American academic Lawrence Mead has produced the most explicit justification of paternalism and mutual obligation policy. In *The New Paternalism* Mead contrasts paternalism with other coercive policies:

...forcing businessmen to obey environmental laws is not paternalist, because a divergence between the individual and society's interest is accepted. Society does not pretend that it is in the immediate, personal interest of businessmen not to pollute, although they share in the collective interest in avoiding pollution. Requiring children to be vaccinated, however, is paternalist because it assumes

that the social and individual interest coincide. Society has decided that for children not to get their shots is not only harmful to others but self-defeating.<sup>71</sup>

Mead argues that the jobless poor share the same values as other Americans but fail to live by them. While they believe in the work ethic they make little effort to find or keep paid employment. And, according to Mead, they tend to resist working in the only kinds of jobs which are available to them — menial, poorly paid jobs.<sup>72</sup>

Mead does not pretend that work is always more rewarding than welfare. Instead he argues for paternalism in the second sense — that welfare recipients should work because the community believes that work is a moral obligation. In a 1988 paper he wrote:

It may be impossible to make low-wage work in the immediate interests of clients given the alternatives they have. But in the long run work usually does benefit both the client and society. Accordingly, it should be enforced as other civilities are, even if individuals do not benefit directly.<sup>73</sup>

Mead sees 'Work for the Dole' programs as part of a trend towards enforcement: "Government is moving away from freedom and towards authority as its basic tool in social policy."<sup>74</sup> Rather than using programs to improve incentives or opportunities, governments should use them to enforce social norms. Mead calls this approach 'the new paternalism.'

Libertarians and classical liberals are less than enthusiastic about Mead's big-government conservatism. For example, Peter Saunders (now at the Centre for Independent Studies) has questioned the logic of an approach which uses government authority to enforce moral values:

[T]he question which Mead seemed to have most difficulty answering was one where he was asked why, if the welfare-dependent poor were expected to work, the 'idle rich' shouldn't be expected to work also. From a classical liberal position, the question makes no sense — the only issue is that you should not unnecessarily rely on the state to provide you with a living, and the idle rich do not do this. But from Mead's conservative moral position, the question is unanswerable, and in the end he did come close to accepting that a collective obligation of citizenship, such as the obligation to work, must logically apply to all citizens.<sup>75</sup>

Consistently applied, Mead's approach would be closer to Beatrice and Sidney Webb's approach than to laissez faire or modern libertarianism. Like the Webbs he would not abandon disadvantaged families to the market place but would subject them to 'disciplinary supervision'. Individuals deemed to be at risk of dysfunction would be treated in the same way as convicted criminals — they would be treated as failed citizens who are not entitled to the same rights as other members of society.<sup>76</sup>

## 4 Catholic social teaching and income support policy

As Pope Leo XIII wrote "It is no easy matter to define the relative rights and mutual duties of the rich and of the poor, of capital and of labor." But however difficult it was to define these mutual duties or obligations, Leo never doubted that they *were* mutual. In the years following Leo's 1891 encyclical *Rerum Novarum* the popes have developed an account of social obligation that is neither laissez faire nor socialist.<sup>77</sup>

For the Church, the fundamental problem with laissez faire is that it fails to acknowledge the obligations people owe to each other.<sup>78</sup> Laissez faire insists on rights but refuses to recognise duties. The Church's fundamental problem with socialism is that it misunderstands the relationship between the individual and society. According to Pope John Paul II, socialism promotes the mistaken idea that "the good of the individual can be realised without reference to his free choice, to the unique and exclusive responsibility which he exercises in the face of good or evil."<sup>79</sup>

This is not a simple left-wing versus right-wing issue. In today's Australia it is conservatives rather than socialists who are pushing hardest to limit the individual's freedom. One of the ways in which they are doing this is through mutual obligation policy. Income support payments come with stricter

controls over individual behaviour and can now, in some cases, be subject to ‘quarantining’ so that the recipient can no longer decide how benefits should be spent.

The most striking example of mutual obligation policy and the Church’s response to it is the Australian Government’s 2007 ‘emergency response’ in Northern Territory Indigenous communities. Prime Minister Howard himself describes it “radical, comprehensive and highly interventionist”:

This is not laissez-faire liberalism or light-touch government by any means. It represents a sweeping assumption of power and a necessary assumption of responsibility.<sup>80</sup>

While welcoming the Government’s decision to act against child neglect and abuse, the Australian Catholic Bishops’ Conference cautioned against attempts to take responsibility away from Indigenous people, their families and communities. The Bishops wrote that:

The response must be respectful of Indigenous culture and identity, and must be undertaken in full and genuine partnership with Aboriginal communities themselves. History clearly demonstrates that effective solutions cannot simply be imposed from above.<sup>81</sup>

The Bishops’ response embodies four key principles of Catholic social teaching — *human dignity*, *solidarity*, *subsidiarity*, and the *preferential option for the poor*.

- **Human dignity:** Respect for the dignity of the human person is the fundamental principle of Catholic social teaching. In summing up people’s obligations to each other, Jesus said “Love your neighbour as yourself”.<sup>82</sup> The Church teaches that every person is created in the image of God and is worthy of equal respect and concern. In a just society, all institutions exist for the human person. Nobody should be treated as merely a means to another’s end. Dignity also requires respect for freedom.
- **Solidarity:** Human dignity is realised when people are able to develop to their full potential. With the principle of solidarity the Church teaches that this development is everyone’s responsibility.<sup>83</sup> With this principle the Church rejects the radical forms of *laissez faire* and libertarianism which claim that individuals have no obligations towards each other.
- **Subsidiarity:** Society depends on healthy and well-functioning individuals, families, communities and governments. According to the principle of subsidiarity, a “community of a higher order should not interfere in the internal life of a community of a lower order, depriving the latter of its functions, but rather should support it in case of need and help to coordinate its activity with the activities of the rest of society, always with a view to the common good.”<sup>84</sup>
- **The preferential option for the poor:** The Church has a special concern for those who are poor and marginalised. This includes not only those who lack material goods, but those who are stigmatized , discriminated against and deprived of their rights. The preferential option for the poor is not just a call for Christian charity but a call for justice. As Saint Gregory the Great wrote, “When we attend to the needs of those in want, we give them what is theirs, not ours. More than performing works of mercy, we are paying a debt of justice”.<sup>85</sup>

Out of respect for human dignity the Church teaches that “Each person must have access to the level of well-being necessary for his full development.”<sup>86</sup> To the extent that individuals, families and community organisations are able to provide this level of well-being without outside help then the principle of subsidiarity suggests that governments should not intervene. Where they cannot, then solidarity requires that government step in. It is important to remember that the Church’s teaching refers to “full development” rather than a lesser standard.

In recent years, classical liberal think tanks like the Centre for Independent Studies in Australia and the Institute of Economic Affairs in the UK have tried to promote the idea that Catholic social teaching is compatible with large tax cuts, drastic reductions in social welfare spending and a

radical deregulation of the labour market.<sup>87</sup> These arguments depend partly on empirical claims about the effects of government policies, but also on a way of interpreting the Church's social doctrine that stresses subsidiarity at the expense of solidarity. Catholic Social Services Australia argues that a more balanced reading of the Church's teaching places moral obligations on government as well as individuals, families and community organisations — obligations which go beyond merely protecting individuals from desititution.

#### 4.1 Five principles for income support policy

In light of the Church's social teaching, Catholic Social Services Australia argues that changes to Australia's income support system should be guided by five principles. These flow from the four key principles of Catholic social teaching outlined above — *human dignity, solidarity, subsidiarity*, and the *preferential option for the poor*.

1. **Respect for human dignity:** Mutual obligation policies should be designed, promoted and administered in a way that respects the dignity of individuals, their families and their communities. The policies should not be stigmatising or demeaning. Respect for human dignity is the key principle from which the other four principles flow.
2. **Respect for the rights of the family:** Family members have a right as well as a responsibility to make decisions about their own welfare and the welfare of children. Where possible, governments should help families take responsibility and support them to make the right decisions. In meeting its obligations to support individuals and families, government must assist – rather than attempt to control – individuals, families and communities.
3. **A right to financial support for those in need:** The community has an obligation to support individuals when they cannot support themselves or have family obligations which interfere with paid work. Because payments are made on the basis of need, accepting income support should not be seen as generating a 'debt to society' that needs to be repaid through work.
4. **A government that meets its obligations:** Government has obligations which extend beyond providing financial support. Individuals have obligations that can include contributing to the community through paid work or caring for family members. In turn, government has an obligation to help individuals meet their obligations and develop their potential. Government can do this by pursuing full employment and providing the education, training and other services individuals need in order to develop their potential as contributing members of the community.
5. **Mutual obligation activities should benefit recipients and their families:** Mutual obligation activities should be implemented in a way that benefits either the income support recipient or those who rely on them for care. Policy makers should not use these activities to deter claims for income support or as a substitute for fraud prevention. Treating all income support recipients as dysfunctional and untrustworthy is inconsistent with a respect for human dignity.

While these principles are grounded in Catholic Social Teaching, we believe that the Church's social teaching can contribute to a dialogue with all people who are concerned with social well-being and human dignity.<sup>88</sup>

##### 4.1.1 *Respect for human dignity*

All Catholic social doctrine flows from the recognition of human dignity.<sup>89</sup> Recognising human dignity means providing people with the resources they need to fulfill their potential. As the *Compendium of the Social Doctrine of the Church* puts it: "Each person must have access to the level of well-being necessary for his full development."<sup>90</sup>

A person is more than a consumer of goods and services, and respect for a person's dignity is about more than respecting their right to subsistence. In their 1986 pastoral letter, *Economic Justice for All* the American Bishops observed that welfare recipients are often stigmatised in a way that people receiving support from other programs are not.<sup>91</sup> In Australia, recipients of Parenting Payment and Newstart Allowance are often held to different standards than recipients of the Family Tax Benefit or drought relief. Politicians rarely talk about applying mutual obligation when it comes to industry subsidies or Medicare. The implication is that welfare recipients are flawed in a way that other citizens are not — that they need to be supervised and controlled rather than enabled.

Work occupies a central place in Catholic social teaching about human dignity. According to Pope John Paul II, the dignity of work lies in its subjective rather than its objective dimension. By this he means that work is not just about producing things, but about individuals realising their own humanity through the process of creation. The subjective value of work is intimately bound up with the value human freedom. As Pope John Paul II wrote: "there is no doubt that human work has an ethical value of its own, which clearly and directly remain linked to the fact that the one who carries it out is a person, a conscious and free subject, that is to say a subject that decides about himself."<sup>92</sup>

Like John Paul II, Pope John XXIII also stressed the importance of freedom for dignity. He wrote:

Man's personal dignity requires ... that he enjoy freedom and be able to make up his own mind when he acts. In his association with his fellows, therefore, there is every reason why his recognition of rights, observance of duties, and many-sided collaboration with other men, should be primarily a matter of his own personal decision. Each man should act on his own initiative, conviction, and sense of responsibility, not under the constant pressure of external coercion or enticement.<sup>93</sup>

Income support policies respect human dignity when they support and enable individuals, families and communities to take responsibility for their own affairs.

#### 4.1.2 *Respect for the rights of the family*

In *Rerum Novarum* Pope Leo XIII recognised that governments may need to provide support for families and intervene in conflicts between family members, but not in a way that undermines the rights and responsibilities of the family.<sup>94</sup> This respect for the family is embodied in the principle of subsidiarity<sup>95</sup>:

In virtue of this principle, public authorities may not take away from the family tasks which it can accomplish well by itself or in free association with other families; on the other hand these same authorities have the duty to sustain the family, ensuring that it has all the assistance that it needs to fulfil properly its responsibilities.<sup>96</sup>

The principle of subsidiarity also holds for governments dealings with clans and family groups in Indigenous communities. Where local community organisations are able to take responsibility for solving problems, governments should work through them rather than attempt to replace them.

#### 4.1.3 *A right to financial support for those in need*

The community has an obligation to support those in need. In *Laborem Exercens* ('On Human Work') Pope John Paul II explained:

The obligation to provide unemployment benefits, that is to say, the duty to make suitable grants indispensable for the subsistence of unemployed workers and their families, is a duty springing from the fundamental principle of the moral order in this sphere, namely ... the right to life and subsistence.<sup>97</sup>

According to Catholic social teaching, receiving help from the government does not generate an obligation to repay that assistance through unpaid work. As Pope John XXIII wrote:

Man has the right to live. He has the right to bodily integrity and to the means necessary for the proper development of life, particularly food, clothing, shelter, medical care, rest, and, finally, the necessary social services. In consequence, he has the right to be looked after in the event of ill-health; disability stemming from his work; widowhood; old age; enforced unemployment; or whenever through no fault of his own he is deprived of the means of livelihood.<sup>98</sup>

Government payments to individuals and families are typically justified according to principles of distributive justice<sup>99</sup> — the principles of need, equality or merit. In the past, Australian income support payments such as unemployment allowances and disability support pensions have been made solely according to need.

Principle	Example	
<b>Need</b>	Level of support is determined by the beneficiary's level of need. Payments are income and/or assets tested and exclude those who are able to support themselves through paid work.	Unemployment allowances Disability Support Pension
<b>Equality</b>	Each eligible beneficiary receives the same level of support regardless of need or merit. <sup>100</sup>	Baby Bonus First Home Owner Grant
<b>Merit</b>	Eligibility and/or level of support is determined by merit. For example, the applicant's level of skill or their ability to contribute to the community.	Australia Council grants to artists

However, over the past 10 years, the principle of eligibility according to need has been weakened. The concept of mutual obligation, introduced with Work for the Dole in 1997, is based on the idea that need alone is not enough to make an individual entitled to an unemployment allowance. Even if an income support recipient genuinely cannot find paid work, they may be asked to make a contribution to the community in order to be eligible for support. This effectively substitutes the principle of merit for the principle of need.

Catholic Social Services Australia argues that the principle of eligibility according to need should be restored. Centrelink should not apply tests of merit (deservingness) to applicants for income support.<sup>101</sup>

#### 4.1.4 Government has obligations beyond providing income support

For individuals to develop their full potential and meet their obligations to their families and the community they need access to resources. On behalf of the community governments should:

- **Promote full employment:** According to Pope John Paul II “the State has a duty to sustain business activities by creating conditions which will ensure job opportunities, by stimulating those activities where they are lacking or by supporting them in moments of crisis.”<sup>102</sup>
- **Provide education, training and employment assistance:** Lack of education and training is one of the major causes of joblessness and low pay. Governments have an obligation to provide access to services such as education and training so that individuals can develop their potential and support themselves and their families through paid work.<sup>103</sup> Governments also have an obligation to provide individuals with any other assistance they need to find and maintain employment. This can include help with job search, child care and transport.
- **Ensure that workers receive a just wage and fair working conditions:** Employees need an income that can support a family. Governments can ensure adequacy in two ways, by setting minimum wages and by providing family allowances or tax benefits. In keeping with the principle of subsidiarity, Catholic social teaching places the primary obligation with the

direct employer. It rejects the idea that wage setting should be left entirely to the market.<sup>104</sup> Government also needs to ensure that the conditions of work are fair and that work is compatible with the employee's family and community obligations.

As Pope John Paul II explained, the government's obligations stem from the principles of subsidiarity and solidarity:

Public authorities must work both directly and indirectly for the achievement of full and dignified employment. Indirectly and according to the principle of subsidiarity, by creating favourable conditions for the free exercise of economic activity, leading to abundant employment opportunities and sources of wealth. Directly and according to the principle of solidarity, the weakest must be defended by putting limits on the autonomy of the parties who decide on working conditions, and by always ensuring the basic essentials for the unemployed worker.<sup>105</sup>

When regulating the labour market and providing employment assistance, governments must not forget the role individuals play as parents and family members. Raising children and caring for the disabled and aged is not a purely private matter but a contribution to the community.<sup>106</sup>

Just as governments have an obligation to support people in the labour market, they also have an obligation to support individuals in their role as parents. This can include providing services such as preschool education as well as making sure that job search and work requirements do not undermine a parent's ability to meet their family obligations.

#### *4.1.5 Mutual obligation activities should benefit recipients and their families*

According to the principle of subsidiarity, governments should support, promote and develop the capacity of individuals, families and communities to take responsibility for their own affairs.<sup>107</sup>

Mutual obligation activities must always benefit the income support recipient or their dependents. For example, conditionality should not be used to deter claims for assistance (eg by using Work for the Dole to increase the 'cost' of claiming benefits), prevent fraud (eg by referring individuals to 'assistance' when they are suspected of having undeclared work), or to force people into employment that makes them materially worse off (eg where increases in income are offset by increases in expenses such as travel, child care and clothing).

Mutual obligation activities should be separate from the administrative procedures used to determine eligibility and uncover fraud. The policing of eligibility and fraud should be proportional to the risk involved. It should not be administered in a more punitive way than systems which manage grants to first home buyers, subsidies to business, or taxation.

## **5 What's wrong with the current mutual obligation approach?**

From the perspective of the principles for income support policy embodied in Catholic social teaching (see section 4 above), there are a number of major problems with the Australian Government's current approach to mutual obligation. This approach:

- stigmatises recipients of income support;
- is punitive and focused on deterring claims rather than assisting recipients to meet their obligations;
- frames welfare reliance as if it were a law and order issue with a focus on enforcement; and
- removes responsibility from individuals, families and communities.

## 5.1 Stigmatising income support recipients

In their 1986 pastoral letter, *Economic Justice for All* the US Bishops wrote, “The belief persists in this country that the poor are poor by choice or through laziness, that anyone can escape poverty by hard work, and that welfare programs make it easier for people to avoid work.” This belief also persists in Australia today. In justifying its mutual obligation policies the Australian government has undermined the dignity of income support recipients by promoting the idea that poverty and welfare reliance are largely self-inflicted.

The US Bishops asked “everyone to refrain from actions, words, or attitudes that stigmatize the poor, that exaggerate the benefits received by the poor, and that inflate the amount of fraud in welfare payments. These are symptoms of a punitive attitude towards the poor.” We frequently hear an undue focus about the incidence of social security fraud in Australia. This focus is disproportionate, given the low incidence of such fraud and the fact that the overwhelming majority of income support recipients have no fraudulent intent. The likely result of this disproportionate emphasis is the lessening of compassion and support in the broader community for income support recipients and programs.

## 5.2 Punitive and excessively focused on deterring claims

Australian income support policy is becoming increasingly punitive. The emphasis has shifted away from helping recipients improve their employability and towards a ‘work first’ approach that increasingly resembles the 19<sup>th</sup> century strategy of repression. To remain eligible for income support, recipients must complete forms, attend interviews, and participate in Job Network services, Work for the Dole and other activities. Rather than helping recipients prepare for work or give something back to the community, these requirements are meant to discourage unnecessary claims for income support. The shift away from ‘help’ and towards ‘hassle’ increased with the introduction of the Active Participation Model (APM) in 2003.

Policy makers in the Department of Employment and Workplace Relations (DEWR) appear to be using referrals to Work for the Dole and other activities to push recipients off income support. According to the Department, “referral to a programme often acts as a catalyst to increase job search activity or the reporting of changed circumstances (declaring earned income for example) to avoid participation in the programme”.<sup>108</sup> Policy makers refer to this as a program’s ‘compliance effect’.

DEWR policy-makers now place more emphasis on compliance effects than on ‘program effects.’ A ‘program effect’ is “the increase in the probability of gaining employment as a result of actually participating in the programme.”<sup>109</sup> While program effects are about *helping* recipients prepare for, find and retain employment, compliance effects are about making income support less attractive in the hope that recipients will find alternative way of supporting themselves.

The new emphasis on compliance came through strongly in a 2005 audit of Job Network conducted by the Australian National Audit Office:

During the course of the audit, DEWR emphasised the importance of the expected compliance effects of the APM. It pointed out that while the term ‘tree-shaking’ (meaning compliance) was not used in the papers initiating the scheme, it was an implicit part of the theme of participation and engagement.<sup>110</sup>

In part, the return to repression is a response to a selective reading of the evaluation evidence. The 1990s saw a debate between supporters of the ‘human capital development’ and ‘work first’ approaches. The human capital development approach attempted to move individuals from welfare to work by improving their knowledge and skills (human capital). In contrast, the work first approach focused on increasing the intensity and effectiveness of job search and pushing participants to accept the first available job.<sup>111</sup>

In the United States during the 1990s these two approaches were pitted against each other in a series of rigorous evaluations by the Manpower Demonstration Research Corporation (MDRC). The MDRC reported that work first (or 'labor force attachment') programs moved participants into work more quickly and cheaply than human capital development programs.

To some commentators, these findings seemed to vindicate the idea that most income support recipients were able to work but were either too choosy about the jobs they would accept or were not looking hard enough. While dependency might be exacerbated by low skills or disability, the most important cause was a lack of motivation to find and accept paid work.

But a closer look at the research shows that the most effective programs were those which combined elements of both approaches. The most effective program in the MDRC's study was based in Portland Oregon. According to the researchers, "job search participants in Portland were counseled to wait for a good job, as opposed to taking the first job offered."<sup>112</sup>

More importantly, supporters of the work first only approach often conflate three separate program impacts — increasing employment, reducing income support outlays, and improving the financial well-being of participants. Research by the MDRC shows that programs which succeeded in moving participants from welfare to work did not always make them financially better off. The most effective programs for increasing participant income included earnings supplements to 'make work pay'.<sup>113</sup> These programs attempted to increase the incentive to work rather than decreasing the incentive to remain on income support.

It is difficult to know how these US findings might apply in the Australian context. Differences in client groups and labour market conditions mean that the results might be different here (for example, US minimum wages are lower than in Australia). However, there have been no equally rigorous evaluations in Australia which demonstrate that a punitive work first approach is likely to be more effective than a more supportive, incentive driven approach.

The current focus on compliance attacks the dignity of income support recipients, denies their right to financial support, relieves the government of its obligations to recipients, and fails to produce benefits for recipients.

### **5.3 Welfare reliance is framed as a law and order issue**

During the 1980s and early 1990s Australian policy makers often spoke about unemployment and welfare reliance as if they were diseases that could be cured with appropriate treatment. If joblessness was caused by a lack of basic or vocational skills then the sufferers could be treated with education, training and work experience programs. But with the change of government in 1996 came a change in the way the issues were framed. Policy makers began to talk about joblessness and welfare reliance as if they were law and order problems. Welfare reform became a problem of enforcing social norms.

Increasingly, politicians are portraying income support recipients as perpetrators rather than as victims. In the United States and Canada, policy analysts commonly draw on the vocabulary of law enforcement, describing welfare reforms using terms like deterrence, diversion and recidivism.<sup>114</sup> A similar mindset is taking hold in Australia.

From this perspective, welfare recipients have a weak commitment to values like the work ethic — they prefer life on the dole to work and feel no guilt about 'bludging' off the work of others. Or, if they do genuinely want to do the right thing, they lack the self-discipline to apply themselves at school, avoid pregnancy out of wedlock, find and hold down work, and say no to alcohol and drugs.<sup>115</sup> If this is the problem then there are two obvious policy responses. The first is to allow people to suffer the consequences of their own choices by withdrawing eligibility for income support. The second is to continue to provide support while making up for the lack of self-discipline by imposing discipline externally.

When children are involved, it is more difficult for policy makers to deny parents access to income. In these cases enforcement policies combined with continued support may look more attractive.

The enforcement approach is best articulated in the theoretical work of US academic Lawrence Mead. But because he locates the source of the problem in the character of individuals, Mead struggles to find a solution to the problems of joblessness and poverty. He himself is sceptical about what the new paternalism can achieve:

The new paternalism may place undue faith in public institutions. It assumes that government agencies can direct the lives of the disadvantaged better than they do themselves, and perhaps even change them for the better. However, over the course of American history, a number of new social institutions — the workhouse, the orphanage, the prison, and the mental hospital — have claimed that they could reshape adult personality. None has succeeded. Most begin with lofty purposes only to subside into little more than warehouses for the unfortunate.

Authority does seem to have the power to reshape behavior, for as long as clients remain subject to it. Rules consistently enforced do affect actions. The dependent poor today seem responsive, exactly because they accept mainstream values and are looking for direction. It remains doubtful, however, that programs like those described above [eg sanctioning parents if their children fail to attend school] can alter attitudes in any fundamental way, or even influence behavior once clients leave their purview. This is because clients, beyond the very young, seldom internalize the strictures deeply enough to affect their subsequent lives. Even prisons, the most rigid of institutions, produce little inner change.<sup>116</sup>

If Mead is right, then the Australian Government's current attempt to use mutual obligation to 'restore order' in the Northern Territory's Indigenous communities is likely to fail in the long run. To use the Government's preferred language, even if it were able to "stabilise" and "normalise", government would find itself unable to "exit." This is because, according to Mead's theory, jobless, welfare dependent adults lack the ability to live productive lives without supervision.

This highlights a more general problem with the law and order approach. To the extent that it succeeds in explaining individual choices in terms of character, it is unable to offer any long term solutions to the problem of poverty and welfare reliance.

Fortunately Mead's extreme pessimism is misplaced. There is very little evidence to support the idea that the majority of income support recipients are dysfunctional and unable to act in their own interest. The law and order frame produces a distorted image of the problems of joblessness and poverty.

#### **5.4 Responsibility is removed from individuals, families and communities**

Respect for human dignity means enabling individuals, families and communities to take responsibility for their own affairs. This goal is undermined by policies which shift decision making power to bureaucracies in the form of inflexible rules.

Pope John Paul II warned against creating a large and intrusive 'Social Assistance State' which attempts to take responsibility away from individuals, families and communities:

By intervening directly and depriving society of its responsibility, the Social Assistance State leads to a loss of human energies and an inordinate increase of public agencies, which are dominated more by bureaucratic ways of thinking than by concern for serving their clients, and which are accompanied by an enormous increase in spending.<sup>117</sup>

John Paul II's concern echoed that of Leo XIII one hundred years earlier:

The contention, then, that the civil government should at its option intrude into and exercise intimate control over the family and the household is a great and pernicious error. True, if a family finds itself in exceeding distress, utterly deprived of the counsel of friends, and without any prospect of extricating itself, it is right that extreme necessity be met by public aid, since each family is a part of the commonwealth. In like manner, if within the precincts of the household there occur grave

disturbance of mutual rights, public authority should intervene to force each party to yield to the other its proper due; for this is not to deprive citizens of their rights, but justly and properly to safeguard and strengthen them. But the rulers of the commonwealth must go no further; here, nature bids them stop.

Part of the problem with the law and order perspective is the assumption that some groups of income support recipients (particularly the young unemployed, single mothers, and the entire populations in some Indigenous communities) are morally incompetent. By tacitly applying this stereotype to entire categories of citizens and assuming that they are beyond help, policy makers limit their options to restricting income support or depriving recipients of responsibility for their own lives.

Pope John Paul II suggested an alternative response — strengthening responsibility by providing individuals, families and communities with the resources they need to meet their obligations.<sup>118</sup>

## **6 Making it mutual — towards a better mutual obligation policy**

The Australian Government approach to mutual obligation is crippled by unjustified pessimism about the ability of individuals, families and communities to take control of their own lives and futures. Discouraged by past failures, policy makers have been too quick to conclude that income support is the problem and that investing in labour market programs and other assistance is futile. This pessimism has led policy makers to neglect their obligations. Frustration at past failure combined with blanket assumptions about the character of recipients has led to a punitive approach to mutual obligation that undermines their dignity and freedom.

A better policy would start with clear objectives, a better understanding of the nature of the problem and a recognition of government's obligations to income support recipients and the community.

### **6.1 Setting the right objective**

Moving income support recipients from welfare to work should not be an end in itself. From the perspective of Catholic social teaching, the aim of income support and welfare to work policies is human development. The *Compendium of the Social Doctrine of the Church* makes this point clearly: "Each person must have access to the level of well-being necessary for his full development."<sup>119</sup>

This is not an exclusively Catholic position. As Pope Benedict XVI explains "The Church's social teaching argues on the basis of reason and natural law". As a result it is not surprising that many non-Catholic thinkers and policy makers have reached similar conclusions. The economist Amartya Sen, for example, also makes human development a central part of his 'capability approach.'

Holding the Australian Government accountable for the promotion of human development is reasonable because it is already part of its policy framework. As Treasury Secretary Ken Henry argues:

I should emphasise that our [Treasury's] perspective on freedom is not a strict libertarian one, focused only on procedures or basic rights. We most certainly must be interested in all of the consequences of people exercising their perceived rights.

Rather, our perspective accords very closely with Nobel Laureate Amartya Sen's focus on 'substantive freedoms that people have reason to enjoy'.<sup>120</sup> Specifically, we are interested in the 'capabilities' that Australians have to lead the lives they want to live – and that they have reason to value.<sup>121 122</sup>

The government's role is to create a framework and provide access to resources that will enable individuals, families and communities to take responsibility for their own development.

## 6.2 Understanding the problem

To understand how to promote human development, policy makers need to understand what prevents people from reaching their potential. Rather than being based on stereotypes, policy needs to be based on evidence about what works.

The evidence from economics and the social sciences suggests that education (particularly early childhood education), training and the creation of job opportunities are far more effective mechanisms for preventing disadvantage than punitive welfare to work programs.

Individuals who are unable to take advantage of job opportunities or who need to put caring responsibilities ahead of paid employment, need an adequate income in order to meet their obligations and reach their potential.

## 6.3 Taking responsibility

The government has a responsibility to seek out effective policy responses to disadvantage and to protect vulnerable individuals, families and communities from stigma and prejudice.

The government should be an enabler rather than an enforcer. Providing opportunities, incentives and resources allows people to take responsibility for their own lives.

## 6.4 Five steps to better policy

Mutual obligation policy should not just encourage individuals to meet their obligations but should support them to develop their capabilities. There are five steps the Australian Government could take now to improve income support and employment policy:

- 1. Review the adequacy of income support payments:** Countries with more adequate rates of income support have lower rates of poverty. US evidence suggests that adequate resources are particularly important for child outcomes.<sup>123</sup> Government should review the adequacy of income support payments and link rates to the actual cost of living for recipients.
- 2. Clearly separate compliance from assistance:** Job Network and other employment services should not be used as compliance measures. Centrelink should be responsible for ensuring that income support recipients are eligible for assistance while Job Network members should focus on improving recipients prospects for employment.
- 3. Replace Work for the Dole:** Work for the Dole should be replaced with a work experience program designed to improve the employment prospects of participants. The new program should not be a mechanism for extracting work in return for benefits or deterring claims for income support. The name of the new program should reflect its purpose.
- 4. Provide better support to parents:** US evidence suggests that moving parents from welfare to work does not automatically produce better outcomes for children.<sup>124</sup> Family income and the quality of care children receive outside the home make a difference. Government should move beyond a punitive approach to mutual obligation for parents and offer more evidence based support. Evaluation of the Welfare to Work initiative should measure the impact of the reforms on child well-being.
- 5. Use evidence to inform policy change:** When new policies are implemented they should be supported by evaluation findings or well-established theory about what works. A number of the government's policies — such as quarantining as a solution to truancy — have no sound basis in evidence.<sup>125</sup>

Income support recipients do have obligations to the broader community. But the problem with the current approach is that it fails to recognise that the obligation is mutual.

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<sup>1</sup> Mal Brough, House of Representatives Hansard (August 7, 2007), p 7.

<sup>2</sup> Sidney and Beatrice Webb, *English Poor Law Policy*, London: Longmans, Green and Co (1910), p 318.

<sup>3</sup> Sidney and Beatrice Webb, *English Poor Law Policy*, London: Longmans Green and Co (1910), p 317.

<sup>4</sup> Joe Hockey, *Building Stronger Families — The Benefits of Moving from Welfare to Work* Canberra: Commonwealth of Australia (September, 2007).

<sup>5</sup> Lawrence Mead, *The New Politics of Poverty*, New York: Basic Books (1992).

<sup>6</sup> Lawrence Mead, *The New Politics of Poverty*, New York: Basic Books (1992) p 191.

<sup>7</sup> Pope Benedict XVI, Encyclical Letter *Deus Caritas est* (December 25, 2005), n. 27.

<sup>8</sup> Pontifical Council for Justice and Peace. *Compendium of the Social Doctrine of the Church*. London: Burns and Oates (2004), n 172.

<sup>9</sup> A recent summary of the research published by Princeton University and Brookings Institute reported that:

A family's economic resources influence child well-being, because they are necessary to meet children's basic needs for food and shelter. In addition, a family's economic resources influence the quality of environments children experience at home, in child care, at school, and in the community. ... Children in families with adequate resources tend to be healthier and to do better in school; they are less likely to be involved in criminal behavior and are more likely to graduate from high school and to earn higher incomes as adults.

Margie K. Shields and Richard E. Behrman, 'Children and Welfare Reform: Analysis and Recommendations' *Children and Welfare Reform*, vol. 12, no 1 (Winter/Spring 2002).

<sup>10</sup> Pamela A. Morris, Lisa A. Gennetian, and Greg J. Duncan, 'Effects of Welfare and Employment Policies on Young Children New Findings on Policy Experiments Conducted in the Early 1990s', *Social Policy Report*, Vol XIX, No II (2005) <http://www.mdrc.org/publications/407/abstract.html>

<sup>11</sup> For US evidence on school attendance policies see: David Campbell and Joan Wright, 'Rethinking Welfare School-Attendance Policies' *Social Service Review*, volume 79 (2005), pages 2–28.

<sup>12</sup> Joe Hockey, *Building Stronger Families — The Benefits of Moving from Welfare to Work* Canberra: Commonwealth of Australia (September, 2007).

<sup>13</sup> Penny Wong, *Reward for Effort: Meeting The Participation Challenge, A Discussion Paper on Australia's Workforce Participation Issues*. Australian Labor Party (November, 2006).

<sup>14</sup> Tony Abbott, *Mutual Obligation and The Social Fabric* Bert Kelly Lecture to the Centre for Independent Studies (August 3, 2000) <http://www.tonyabbott.com.au/news/article.aspx?ID=224>

<sup>15</sup> Lawrence Mead, *The New Politics of Poverty*, New York: Basic Books (1992) p 183.

<sup>16</sup> George Orwell, 'The Lion and the Unicorn' *Fifty Orwell Essays* Project Gutenberg Australia <http://gutenberg.net.au/ebooks03/0300011.txt>

<sup>17</sup> Peter Saunders, 'Chasing our Tails? When should governments lead rather than follow social trends?' Centre for Independent Studies Lecture, (September 12, 2000). <http://www.aifs.gov.au/institute/pubs/papers/saunders8.html>

<sup>18</sup> Mal Brough, House of Representatives Hansard (August 7, 2007), p 7.

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<sup>19</sup> As the Minister for Families, Community Services and Indigenous Affairs, Mal Brough, told Parliament: “We need strong powers so that we are not weighed down by unnecessary red tape and talkfests, and can focus on doing what needs to be done and doing it now.” House of Representatives Hansard (August 7, 2007), p 12.

<sup>20</sup> One of the suggestions from the Cape York Welfare Reform Project is to link income support payments to the conditions imposed on public housing residents by the *Residential Tenancies Act 1994*. These conditions include not interfering “with the peace, comfort or privacy of neighbours”. See, Cape York Institute *From Hand Out to Hand Up: Cape York Welfare Reform Project, Design Recommendations* (May 2007), p 63.

<sup>21</sup> Harold A. Pollack, Sheldon Danziger, Rukmalie Jayakody, and Kristin S. Seefeldt. *Substance Use Among Welfare Recipients: Trends and Policy Responses* JCPR Working Paper 278. (2002).

<sup>22</sup> David Kemp, House of Representatives Hansard (March 19, 1997) p 2459.

<sup>23</sup> For example, Bob Charles, House of Representatives Hansard (May 26, 1997), p 4032.

<sup>24</sup> John Howard, Address to the Liberal Party (Tasmanian Division) State Council (July 14, 2007) <http://www.pm.gov.au/media/Speech/2007/Speech24431.cfm>

The Howard Government first drew on the principle of mutual obligation to justify compulsory participation in Work for the Dole. As a result, the principle was usually expressed in terms of making a contribution to the community in return for income support. For example, in 1997 David Kemp told the Parliament:

This initiative is based firmly on the principle of mutual obligation. Mutual obligation is a principle which states that it is fair and just that people receiving unemployment allowances be asked to make a contribution to the community in return. Believing that it is fairer and less demeaning for people to work for their money than to get it as a hand-out is not prejudiced or punitive. It is part of the fabric of values that the Australian people share.

David Kemp House of Representatives Hansard (May 26, 1997), p 4026.

When the government decided to expand the obligations to include parenting, the Prime Minister adopted a new form of words, income support recipients would be expected to “meet basic obligations to” rather “contribute to” society through work.

<sup>25</sup> Mal Brough, House of Representatives Hansard (August 7, 2007), p 7.

<sup>26</sup> Mal Brough, House of Representatives Hansard (August 7, 2007), p 4.

<sup>27</sup> ACOSS, *Doling out Punishment: The Rise of Social Security Penalties* A joint research paper by the National Welfare Rights Network and ACOSS <http://www.welfarerights.org.au/Policy%20papers%20%20submissions/ppdoling.pdf>

<sup>28</sup> Department of Employment and Workplace Relations, *Activity Test Compliance Penalties* <http://www.workplace.gov.au/workplace/Publications/ResearchStats/Participation+and+compliance+data/Explanatory+notes/ActivityTestCompliancePenalties.htm>

<sup>29</sup> Patricia Karvelas, ‘5000 Cut Off Dole in Purge of Jobless’, *The Australian* (January 5, 2007) p 5.

<sup>30</sup> Christopher Ellison, Senate Hansard (August 13, 2007), p 25.

<sup>31</sup> Welfare Rights Centre, “\$27m saved through 240% increase in penalties”, *Rights Review*, Sept. 2007, p.3.

<sup>32</sup> T.W. Fowle *The Poor Law*, London: MacMillan and Co (1898), p 50. Fowle goes on to explain the “celebrated system in vogue” in German cities like Elberfeld:

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...the conditions of obtaining [relief] are, that the applicant (if able-bodied) should be out of work, should be able to show that he has tried to obtain it, and should be willing to do what work is found for him. But before obtaining it he must answer every question in a "Question Paper," which really seems in our English eyes a kind of instrument of mental torture... He must give information as to every detail of his life, e.g. his work, change of residence, property, furniture. He must not keep a dog, nor go to a place of public entertainment. He is "constantly," i.e. not less than once a fortnight, looked up by the visitor, and every change is noted and reported. He must declare whether his family leads a moral and honest life, and "specify which members do not." The visitor is expected to reprimand disorderly conduct, to enforce cleanliness and honesty, to warn parents of their duties — especially education — towards their children, and children of theirs — especially reverence towards their parents. In short, he must "strive to exercise a healthy influence over the moral feelings of the poor" (p 50-51).

<sup>33</sup> Quoted in Gertrude Himmelfarb, *The Idea of Poverty: England in the Early Industrial Age* London: Faber and Faber 1984. p 182.

<sup>34</sup> Historian Gertrude Himmelfarb explains how *laissez faire* placed the dependent poor outside of society:

Poor relief was not a right, because the marketplace recognized neither rights nor obligations but only, as the *Poor Law Report* said, "contracts" — contracts freely entered into by free men, by "independent laborers" and (it went without saying) independent employers. In that contractual world the pauper had no part.

Gertrude Himmelfarb, *The Idea of Poverty: England in the Early Industrial Age* London: Faber and Faber 1984. p 183.

<sup>35</sup> For *laissez faire* liberals a claim would be 'unnecessary' if the individual did not need state support in order to avoid destitution. The assumption is that state support should be a safety net or last resort rather than an *alternative* to paid work or support from other family members.

<sup>36</sup> Sidney and Beatrice Webb, *English Poor Law Policy*, London: Longmans, Green and Co (1910), p 318.

<sup>37</sup> Sidney and Beatrice Webb, *English Poor Law Policy*, London: Longmans Green and Co (1910), p 318.

<sup>38</sup> Sidney and Beatrice Webb, *English Poor Law Policy*, London: Longmans Green and Co (1910), p 316.

<sup>39</sup> Sidney and Beatrice Webb, *English Poor Law Policy*, London: Longmans Green and Co (1910), p 317.

<sup>40</sup> Derek Fraser, *The Evolution of the British Welfare State* (2<sup>nd</sup> edition), Houndmills: Macmillan (1984).

<sup>41</sup> Winston Churchill, 'Notes on Malingering', (6 June, 1909), quoted in, Derek Fraser, *The Evolution of the British Welfare State* (2<sup>nd</sup> edition), Houndmills: Macmillan (1984) p 172.

<sup>42</sup> Bentley Gilbert, 'Winston Churchill versus the Webbs: The Origins of British Unemployment Insurance'. *The American Historical Review*, Vol. 71, No. 3 (April 1966).

<sup>43</sup> Churchill made this remark to King George V. See:

The Churchill Centre, '1911 Action This Day'  
<http://www.winstonchurchill.org/i4a/pages/index.cfm?pageid=153>

Royal Historical Society, *Transactions of the Royal Historical Society: Sixth Series*, Cambridge: Cambridge University Press (2003) p 255

See also: Desmond King, *Actively Seeking Work: The Politics of Unemployment and Welfare Policy in the United States and Great Britain* Chicago: Chicago University Press (1995) p 36.

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<sup>44</sup> Percy Cohen, *Unemployment Insurance and Assistance in Britain*, London: George G Harrup & Company (1938) p 104–112.

<sup>45</sup> Bentley Gilbert, 'Winston Churchill versus the Webbs: The Origins of British Unemployment Insurance'. *The American Historical Review*, Vol. 71, No. 3 (April 1966).

<sup>46</sup> David Lloyd George, quoted in, Derek Fraser, *The Evolution of the British Welfare State* (2<sup>nd</sup> edition), Houndmills: Macmillan (1984) p 168.

<sup>47</sup> Paul Kelly, *The End of Certainty: The Story of the 1980s* St Leonards: Allen & Unwin (1992).

<sup>48</sup> Commonwealth of Australia, *Full Employment in Australia* Canberra: Commonwealth Government Printer (May 30, 1945).

<sup>49</sup> James Fraser, Senate Hansard (February 10, 1944) p 50.

<sup>50</sup> "We are all Keynesians Now" *Time* Vol. 86 No. 27 (December 31, 1965)  
<http://www.time.com/time/printout/0,8816,842353,00.html>

<sup>51</sup> Economists commonly classify unemployment according to cause. *Classical* unemployment occurs when the price of labour is higher than the amount employers will pay — as a result the market does not clear. *Cyclical* unemployment is the result of the business cycle — economies can alternate between periods of boom and bust. *Frictional* unemployment is the result of the job search process — job seekers need time to find out what opportunities are available and which offers to accept. *Structural* unemployment is the result of mismatches between the skills job seekers possess and those demanded by employers. It can also result from mismatches in the regions where jobs are available and where job seekers live.

For policy makers each type of unemployment suggests its own remedy. Classical unemployment can be addressed by freeing up the labour market — allowing wages to fall and the market to clear. Cyclical unemployment (if it cannot be prevented) can be addressed by temporary job creation programs. Frictional unemployment is usually addressed by improving the flow of information about job vacancies — for example, by creating labour exchanges. Structural unemployment can be addressed by providing education and training programs or by helping workers to move to where jobs are available (or by regional development policies which create employment opportunities in high employment areas).

<sup>52</sup> For example, see Richard Layard, Stephen Nickell and Richard Jackman *The Unemployment Crisis* Oxford: Oxford University Press (1994) p 64.

<sup>53</sup> Bettina Cass. *Income Support for the Unemployed in Australia: Towards a More Active System*, Issues Paper No.4, Social Security Review, Department of Social Security, Canberra. (1988) p 152.

<sup>54</sup> Bettina Cass. *Income Support for the Unemployed in Australia: Towards a More Active System*, Issues Paper No.4, Social Security Review, Department of Social Security, Canberra. (1988) p 152.

<sup>55</sup> John Dawkins, *Hawke Government Announces 'NEW-START' to Tackle Long-Term Unemployment* Media Release 163/88 (August 23, 1988).

<sup>56</sup> Committee on Employment Opportunities, *Restoring Full Employment: A Discussion Paper* Canberra: Commonwealth of Australia (1993). p 124.

<sup>57</sup> Department of Social Security, Department of Employment, Education and Training, *Helping the Long-Term Unemployed: Report of the Evaluation of the Initial NEWSTART Strategy* Evaluation and Monitoring Branch Report 2/93 Canberra: Commonwealth of Australia (1993) p 14.

<sup>58</sup> Peter Baldwin, *Beyond the Safety Net: The Future of Social Security* (March 23, 1995) p 18.

<sup>59</sup> Pamela Williams, *The Victory: The Inside Story of the Takeover of Australia* St Leonards: Allen & Unwin (1997) p 175.

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<sup>60</sup> Don Watson, *Recollections of a Bleeding Heart: A Portrait of Paul Keating PM* Milsons Point: Knopf (2002) p 667.

<sup>61</sup> In 1987 the Liberal Party's Neil Brown told the House of Representatives: "The coalition parties in this Parliament have firmly committed themselves in government to introduce a scheme of compulsory work for the dole.

Neil Brown House of Representatives Hansard (April 1, 1987) p 1876.

[http://parlinfoweb.aph.gov.au/piweb//view\\_document.aspx?TABLE=HANSARDR&ID=559434](http://parlinfoweb.aph.gov.au/piweb//view_document.aspx?TABLE=HANSARDR&ID=559434)

<sup>62</sup> Bettina Cass, 'Fightback!: The Politics of Work and Welfare in the 1990s' in Peter Newman, John Phillimore, Peter Vintila, Peter (eds) *Markets Morals & Manifestos* Murdoch: Institute for Science and Technology Policy (1992) p 58.

<sup>63</sup> Pamela Williams, *The Victory: The Inside Story of the Takeover of Australia* St Leonards: Allen & Unwin (1997) p 163.

<sup>64</sup> Amanda Vanstone *Reforming Employment Assistance - Helping Australians Into Real Jobs* 20 August 1996 [http://www.dest.gov.au/archive/publications/budget/budget96/budget\\_statement/minstindex.htm](http://www.dest.gov.au/archive/publications/budget/budget96/budget_statement/minstindex.htm)

<sup>65</sup> An early departmental evaluation found that most of the job seekers referred to the Job Network's most intensive level of assistance were not being referred to job vacancies and less than one in five were receiving training in job-specific skills.

Department of Employment, Workplace Relations and Small Business, *Job Network Evaluation Stage One: Implementation and Market Development*, Evaluation and Program Performance Branch Report 1/2000 (February 2000) p 79–80.

<sup>66</sup> John Howard, Address to the 'Australia Unlimited Roundtable' (May 4, 1999)

<http://www.pm.gov.au/media/speech/1999/AustraliaUnlimitedRoundtable.cfm>

<sup>67</sup> John Howard, Address to the Liberal Party (Tasmanian Division) State Council (July 14, 2007)

<http://www.pm.gov.au/media/Speech/2007/Speech24431.cfm>

<sup>68</sup> Joe Hockey, *Building Stronger Families — The Benefits of Moving from Welfare to Work* Canberra: Commonwealth of Australia (September, 2007).

<sup>69</sup> Milton Friedman, *Capitalism and Freedom*, Chicago: University of Chicago Press (2002) p 190–195.

<sup>70</sup> Gary Becker, 'How to End Welfare as we Know it — Fast' *Business Week* (June 3, 1996).

<sup>71</sup> Lawrence Mead, 'The Rise of Paternalism' in *The New Paternalism*, Lawrence Mead (ed) Washington: Brookings Institution (1997), p 4.

<sup>72</sup> Lawrence Mead, *The New Politics of Poverty*, New York: Basic Books (1992).

<sup>73</sup> Lawrence Mead, 'The Potential for Work Enforcement: A Study of WIN', *Journal of Policy Analysis and Management*, vol. 7 No. 2, 264–288 (1988).

<sup>74</sup> Lawrence Mead, *The New Politics of Poverty*, New York: Basic Books (1992) p 191.

<sup>75</sup> Peter Saunders, 'Chasing our Tails? When should governments lead rather than follow social trends?' Centre for Independent Studies Lecture, (September 12, 2000).

<http://www.aifs.gov.au/institute/pubs/papers/saunders8.html>

<sup>76</sup> Mead discusses the issue of citizenship in 'Citizenship and Social Policy: T.H. Marshall and Poverty' in Ellen Frankel Paul, Fred D. Miller and Jeffrey Paul (eds) *The Welfare State* Cambridge: Cambridge University Press (1997).

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<sup>77</sup> According to *The Catechism of the Catholic Church*:

The Church has rejected the totalitarian and atheistic ideologies associated in modern times with "communism" or "socialism." She has likewise refused to accept, in the practice of "capitalism," individualism and the absolute primacy of the law of the marketplace over human labor. Regulating the economy solely by centralized planning perverts the basis of social bonds; regulating it solely by the law of the marketplace fails social justice, for "there are many human needs which cannot be satisfied by the market." Reasonable regulation of the marketplace and economic initiatives, in keeping with a just hierarchy of values and a view to the common good, is to be commended (n. 2425).

<sup>78</sup> According to Pope Paul VI:

...certain concepts have somehow arisen out of these new conditions and insinuated themselves into the fabric of human society. These concepts present profit as the chief spur to economic progress, free competition as the guiding norm of economics, and private ownership of the means of production as an absolute right, having no limits nor concomitant social obligations.

Encyclical Letter *Populorum Progressio* (March 26, 1967), n. 26.

<sup>79</sup> Pope John Paul II, Encyclical Letter *Centesimus Annus* (May 1, 1991), n. 13.

<sup>80</sup> John Howard, Address to the Sydney Institute, Four Seasons Hotel, Sydney (June 25, 2007) <http://www.pm.gov.au/media/Speech/2007/Speech24394.cfm>

<sup>81</sup> Australian Catholic Bishops' Conference, 'A Statement From the Catholic Bishops of Australia On Dignity and Justice for Indigenous Australians' (July 5, 2007) <http://www.acbc.catholic.org.au/bishops/confpres/20070705451.htm>

<sup>82</sup> Matthew 22:39.

<sup>83</sup> Pope John Paul II, Encyclical Letter *Sollicitudo Rei Socialis* (December 30, 1987), n. 38.

<sup>84</sup> Pope John Paul II, Encyclical Letter *Centesimus Annus* (May 1, 1991), n. 48.

<sup>85</sup> Quoted in, Pontifical Council for Justice and Peace. *Compendium of the Social Doctrine of the Church*. London: Burns and Oates (2004), n 184.

<sup>86</sup> Pontifical Council for Justice and Peace. *Compendium of the Social Doctrine of the Church*. London: Burns and Oates (2004), n 172.

<sup>87</sup> For example, see Philip Booth (ed) *Catholic Social Teaching and the Market Economy* London: Institute of Economic Affairs (2007).

<sup>88</sup> Pope Benedict XVI, Encyclical Letter *Deus Caritas est* (December 25, 2005), n. 27.

<sup>89</sup> Pontifical Council for Justice and Peace. *Compendium of the Social Doctrine of the Church*. London: Burns and Oates (2004), n 107.

<sup>90</sup> Pontifical Council for Justice and Peace. *Compendium of the Social Doctrine of the Church*. London: Burns and Oates (2004), n 172.

<sup>91</sup> U.S. Catholic Bishops, *Economic Justice for All: Pastoral Letter on Catholic Social Teaching and the U.S. Economy* (1986).

<sup>92</sup> Pope John Paul II, Encyclical Letter *Laborem Exercens* (September 14, 1981), n. 6.

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See also, Australian Catholic Social Welfare Commission, 'Working for the Dole: Submission to the Senate Community Affairs Legislation Committee on the *Social Security Legislation Amendment (Work for the Dole) Bill, 1997* (1997) p 6.

<sup>93</sup> Pope John XXIII, Encyclical Letter *Pacem in Terris* (April 11, 1963), n. 34.

<sup>94</sup> Pope Leo XIII, Encyclical Letter *Rerum Novarum* (May 15, 1891), n. 14.

<sup>95</sup> Pope Pius XI first explained the principle of subsidiarity in the 1931 encyclical *Quadragesimo Anno*:

As history abundantly proves, it is true that on account of changed conditions many things which were done by small associations in former times cannot be done now save by large associations. Still, that most weighty principle, which cannot be set aside or changed, remains fixed and unshaken in social philosophy: Just as it is gravely wrong to take from individuals what they can accomplish by their own initiative and industry and give it to the community, so also it is an injustice and at the same time a grave evil and disturbance of right order to assign to a greater and higher association what lesser and subordinate organizations can do. For every social activity ought of its very nature to furnish help to the members of the body social, and never destroy and absorb them (n. 79).

<sup>96</sup> Pontifical Council for Justice and Peace. *Compendium of the Social Doctrine of the Church*. London: Burns and Oates (2004), *Church* n. 214.

<sup>97</sup> Pope John Paul II, Encyclical Letter *Laborem Exercens* (September 14, 1981), n. 82.

<sup>98</sup> Pope John XXIII, Encyclical Letter *Pacem in Terris* (April 11, 1963), n. 11.

<sup>99</sup> According to Pope Benedict XVI:

Justice is both the aim and the intrinsic criterion of all politics. Politics is more than a mere mechanism for defining the rules of public life: its origin and its goal are found in justice, which by its very nature has to do with ethics. The State must inevitably face the question of how justice can be achieved here and now.

Encyclical Letter *Deus Caritas est* (December 25, 2005), n. 26.

According to Catholic social teaching it not the Church's role to replace government and create a just society directly. Instead it must influence political life through argument. The Church and the state have different but complementary roles.

<sup>100</sup> Equality can also mean an equal *chance* of receiving a benefit or bearing a burden. For example, beneficiaries might be chosen by lottery or on a first come, first served basis. The US government distributes some visas using a lottery system (from a pool of eligible applicants). Similarly, burdens such as jury service or military conscription are often allocated randomly. In these cases there is usually a fixed number of benefits or burdens to be distributed

<sup>101</sup> The *Compendium of the Social Doctrine of the Church* argues that social policies for the redistribution of income should look at the merit as well as the need of each citizen (n. 303). This does not mean that the principle of merit *replaces* the principle of need and that 'undeserving' citizens can be denied support. What it does mean is that some social policies can take merit into account.

<sup>102</sup> Pope John Paul II, Encyclical Letter *Centesimus Annus* (May 1, 1991), no. 48.

<sup>103</sup> Pope John Paul II, Encyclical Letter *Centesimus Annus* (May 1, 1991), n. 15, 33.

<sup>104</sup> The principle of the just wage does not mean that employers are obliged to pay every employee an amount sufficient to support a large family (for example, seven or eight children). Nor does it mean that a person with a large family is entitled to receive a higher wage than other employees. In the case of large

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families or families with special needs (for example children with disabilities) part of the obligation may be taken up by the community as a whole though family allowances. As John Paul II explained:

Just remuneration for the work of an adult who is responsible for a family means remuneration which will suffice for establishing and properly maintaining a family and for providing security for its future. Such remuneration can be given either through what is called a family wage—that is, a single salary given to the head of the family for his work, sufficient for the needs of the family without the other spouse having to take up gainful employment outside the home—or through other social measures such as family allowances or grants to mothers devoting themselves exclusively to their families. These grants should correspond to the actual needs, that is, to the number of dependents for as long as they are not in a position to assume proper responsibility for their own lives.

(Pope John Paul II, Encyclical Letter *Laborem Exercens* (September 14, 1981), n. 19.)

For a discussion of the just wage as it applies to the Australian workplace relations system see the Australian Catholic Council for Employment Relations' *Workplace Relations: A Catholic Perspective* <http://www.accer.asn.au/docs/papers/documents/WPRelations-LowRes.pdf>

<sup>105</sup> Pope John Paul II, Address to the Representatives of the Regional Administration of Lazio (January 31, 1998). n. 3.

<sup>106</sup> The contribution of families to society was highlighted in the *Charter of the Rights of the Family* (Holy See, 1983):

The rights of the person...have a fundamental social dimension which finds an innate and vital expression in the family; ... the family constitutes ... a community of love and solidarity, which is uniquely suited to teach and transmit cultural, ethical, social, spiritual and religious values, essential for the development and well-being of its own members and of society.

Cardinal Alfonso López Trujillo, the President of the Pontifical Council for the Family, argues that:

There is a tendency to relegate the family to the private sphere, without taking into consideration the fundamental service that the family offers to the State. In many cases, we are witnessing a withdrawal of governmental economic aid and support for the family as such and as a subject of rights and duties.

Raising children should not be seen as a private 'lifestyle' choice but as a contribution to the common good. As a result, governments should create an environment which supports parenting. Cardinal Trujillo cites two examples, "legal measures so that mothers will not be obliged to work outside the home when they have to take care of their children's upbringing" and "working conditions for mothers outside the home and to ensure them some job security during maternity leave."

Cardinal Alfonso López Trujillo *The Family and Life in Europe* [http://www.va/roman\\_curia/pontifical\\_councils/family/documents/rc\\_pc\\_family\\_doc\\_20030614\\_family-europe-trujillo\\_en.html](http://www.va/roman_curia/pontifical_councils/family/documents/rc_pc_family_doc_20030614_family-europe-trujillo_en.html)

<sup>107</sup> Pontifical Council for Justice and Peace. *Compendium of the Social Doctrine of the Church*. London: Burns and Oates (2004), *Church* n. 186.

<sup>108</sup> Department of Employment and Workplace Relations, *Customised Assistance, Job Search Training, Work for the Dole and Mutual Obligation — A Net Impact Study*, Evaluation and Programme Performance Branch Research and Evaluation Group (April, 2006) p 6.

<sup>109</sup> Department of Employment and Workplace Relations, *Customised Assistance, Job Search Training, Work for the Dole and Mutual Obligation — A Net Impact Study*, Evaluation and Programme Performance Branch Research and Evaluation Group (April, 2006) p 6.

<sup>110</sup> Australian National Audit Office, *Implementation of Job Network Employment Services Contract 3*, Audit Report No.6 2005–06 Performance Audit (2005) p 33

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<sup>111</sup> In the US literature the work first approach is sometimes known as the 'labour force attachment' approach . In an implementation guide on work first, the MDRC's Amy Brown writes:

What defines such programs is their overall philosophy: that any job is a good job and that the best way to succeed in the labor market is to join it, developing work habits and skills on the job rather than in a classroom.

Amy Brown, *Work First How to Implement an Employment-Focused Approach to Welfare Reform*, New York: Manpower Demonstration Research Corporation (1997) p 2.

<sup>112</sup> US Department of Health and Human Services, *National Evaluation of Welfare-to-Work Strategies How Effective Are Different Welfare-to-Work Approaches? Five-Year Adult and Child Impacts for Eleven Programs*, (December 2001). <http://www.mdrc.org/publications/64/full.pdf>

<sup>113</sup> Gordon Berlin, *Encouraging Work Reducing Poverty: The Impact of Work Incentive Programs*, New York: Manpower Research Demonstration Corporation (March 2000).

<sup>114</sup> Todd Gabel, Jason Clemens, and Sylvia LeRoy, *Welfare Reform in Ontario: A Report Card* Vancouver: The Fraser Institute (September, 2004)

<sup>115</sup> For an example of this way of thinking about welfare dependency see Peter Saunders (formerly of the Australian Institute of Family Studies, now at the Centre for Independent Studies).

Saunders argues that a 'dependency culture' exists among some long term income support recipients. According to Saunders the culture has the following features:

*Employment and unemployment*

- Long and/or repeated spells of financial reliance on welfare payments, coupled with a belief that this is normal and acceptable as a life strategy;
- Weak work attachment, indicated by a history of long spells of joblessness, poor timekeeping and attendance records when in work, and a typically short duration of jobs due to quitting or dismissal;
- Weak work commitment, expressed in low levels of work motivation, absence of any 'moral commitment' to the principle of working for a living, and an unwillingness to accept jobs which are deemed unattractive or inappropriate.

*Education*

- Low attachment to education, revealed in patterns of early school leaving and truancy;
- Low value placed on schooling and a lack of interest in training or opportunities for self-improvement.

*Family life*

- Weak family bonds, revealed in a pattern of disrupted relations with parents, siblings or children and low levels of commitment to partners and/or serial partnering;
- An increased likelihood of early parenting.

*Lifestyles and aspirations*

- A high likelihood of involvement in socially deviant and/or criminal behaviour, including self-destructive activities such as drug taking and alcohol abuse;
- Low levels of participation in social organisations and civic activities of any type, low levels of integration into local neighbourhood or work-based networks, and little recognition of civic or social responsibilities;
- Low self-esteem, a lack of belief in personal efficacy coupled with a willingness to let others take responsibility for solving one's problems, a high level of fatalism, no future-orientation, a victim identity and a sense of helplessness.

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Peter Saunders, 'Dependency Culture in a Liberal Welfare Regime' Paper for the International Sociological Association Research Committee 19 conference on 'Social Protection in the New Era: What future for welfare?', University of Tilburg, Netherlands, (August 24-27, 2000).

<http://www.aifs.gov.au/institute/pubs/papers/saunders9.html>

<sup>116</sup> Lawrence Mead, *The New Politics of Poverty*, New York: Basic Books (1992) p 183.

<sup>117</sup> Pope John Paul II, Encyclical Letter *Centesimus Annus* (May 1, 1991), n. 49.

<sup>118</sup> Pope John Paul II's approach combines responsibility with resources. For example, he not only urges family members to take more responsibility for each other's welfare but also urges the state to support them as they do this:

It can happen, however, that when a family does decide to live up fully to its vocation, it finds itself without the necessary support from the State and without sufficient resources. It is urgent therefore to promote not only family policies, but also those social policies which have the family as their principle object, policies which assist the family by providing adequate resources and efficient means of support, both for bringing up children and for looking after the elderly, so as to avoid distancing the latter from the family unit and in order to strengthen relations between generations.

Pope John Paul II, Encyclical Letter *Centesimus Annus* (May 1, 1991), n. 49.

<sup>119</sup> Pontifical Council for Justice and Peace. *Compendium of the Social Doctrine of the Church*. London: Burns and Oates (2004), n 172.

<sup>120</sup> Amartya Sen, *Development as Freedom*, Oxford: Oxford University Press (1999), p19.

<sup>121</sup> Op cit, p 18.

<sup>122</sup> Ken Henry, *Enhancing Freedom, Generating Opportunities — Challenges for Governments, Chances for Citizens*, Address to Institute of Public Administration (Victorian Division) Melbourne (July 20, 2004) [http://treasury.gov.au/documents/861/PDF/ipaa\\_july.pdf](http://treasury.gov.au/documents/861/PDF/ipaa_july.pdf)

<sup>123</sup> A recent summary of the research published by Princeton University and Brookings Institute reported that:

A family's economic resources influence child well-being, because they are necessary to meet children's basic needs for food and shelter. In addition, a family's economic resources influence the quality of environments children experience at home, in child care, at school, and in the community. ... Children in families with adequate resources tend to be healthier and to do better in school; they are less likely to be involved in criminal behavior and are more likely to graduate from high school and to earn higher incomes as adults.

Margie K. Shields and Richard E. Behrman, 'Children and Welfare Reform: Analysis and Recommendations' *Children and Welfare Reform*, vol. 12, no 1 (Winter/Spring 2002).

<sup>124</sup> Pamela A. Morris, Lisa A. Gennetian, and Greg J. Duncan, 'Effects of Welfare and Employment Policies on Young Children New Findings on Policy Experiments Conducted in the Early 1990s', *Social Policy Report*, Vol XIX, No II (2005) <http://www.mdr.org/publications/407/abstract.html>

<sup>125</sup> For US evidence on school attendance policies see: David Campbell and Joan Wright, 'Rethinking Welfare School-Attendance Policies' *Social Service Review*, volume 79 (2005), pages 2–28.