Critics of the Kennett government argue that voters in 1999 turned to Labor in response to the erosion of access, equity and affordability in the core social policy areas of education, health, housing, transport, justice and community services. They also tired of what Graeme Little referred to as Kennett’s ‘celebrity leadership’. The social budget was cut, departments were downsized, state-owned enterprises were sold off and privatisation and contracting shifted governance and policy capacity within the public sector. The Kennett agenda was pitched at its main financial management targets, the elimination of public sector debt, and the restoration of a AAA credit rating. In many respects, Victoria during the 1990s became the neo-liberal laboratory of the world. These changes reduced the quality and accessibility of community services and cut to the very core of relationships between government and citizens.

Along with budget cuts, ‘leaving it to the market’ to distribute goods and services did not work in areas viewed by many as prone to market failure and resulted in the under provision of public goods. Moreover, Australian voters still have high expectations of what governments will provide in health, housing, education and community services – still viewed by many as universal rights. This reflects government undertakings in the post-Federation and postwar social settlement around full employment, and
regulation of wages and work conditions as well as the 1970s roll-out of universal provision in health and education. Citizens' expectations on such rights are integral to the social compact between government and citizen and when an election comes up, voters do not necessarily differentiate between state and Commonwealth responsibilities. This chapter summarises the Kennett legacy on social policy when Labor was elected in 1999, what the Bracks government has promised and achieved to date on key areas of social policy, the barriers to achievement of a social democratic reform agenda and some suggestions for a way forward.

THE KENNETT LEGACY ON SOCIAL POLICY

Over the period 1991/92 to 1998/99, expenditures in education, health, community services and welfare fell from 6.5 per cent of Gross State Product (GSP) to 6.2 per cent. Over the 5 years from 1993/94 to 1997/98, Victoria's social spending fell $281 per head of population in real terms despite positive economic growth. By 1997/98, our social spending was behind the average of the other states and territories by $138 in education, $174 in health and $8 in welfare. Critics argued that rather than the promised 'social dividend', these falls in social expenditure put immense pressure back onto communities, welfare organisations, families (and women in particular) and the most disadvantaged themselves. Cuts to aged and disability services and nursing homes were of concern, given the ageing population and cutbacks on supported accommodation; and the large decrease in net spending on housing (a drop of 74 per cent in per capita spending) was due to basic shifts in policy, the decline in state housing stock and the imposition of user charges alongside the federal shift to rent assistance.²

Community advocates such as the People Together Project and the Victorian Women's Trust Purple Sage Project documented the impact on communities, families and women of the loss of thousands of teachers, nurses, public servants and community workers over this period, alongside concerns about lack of infrastructure investment, declining service quality, declining accessibility of services and increasing user charges.
In justice, budget cuts translated into closing courts and independent law reform bodies and tribunals (including the Victorian Law Reform Commission), the sacking of eleven Accident Compensation Tribunal judges and the effective dismissal of the Equal Opportunity Commissioner by abolishing her position. They also led to changed governance structures of administrative tribunals such as the Equal Opportunity Board, the altering of the jurisdiction of the Supreme Court, the imposition of new charges on access to the courts, and the signing of contracts with private providers for the provision of prison and correctional services. With the passage of time, much of the detail of this hollowing out of public sector capacity to respond on equity and justice issues has been shelved or forgotten.

Critics noted the changes to institutional structures, the loss of social capital in the public and service sectors (with redundancies, contracting out and privatisation) and loss of trust in the public system. In terms of governance, accountability changed structurally – from bureaucratic and civic accountability to a narrow budget-driven model – in the context of politicised and silenced public and community sectors. Contractual agreements in areas as diverse as CityLink, Crown Casino and the gambling duopoly, private prisons and airports left a trail locking government into agreements with private enterprise, stretching as far as fifty years into the future.

Budget cuts and moves to undermine independence and advocacy also ran deep into the independent bodies that give governments the capacity to reflect on and improve practices – the Office of the Public Prosecutor and the Office of the Auditor-General come to mind, as well as the meagre resources given to the Public Accounts and Estimates Committee (PAEC). Such bodies had the capacity to independently inquire into the workings and efficacy of government departments charged with policy development and service delivery, but their resourcing and autonomy were being whittled away.

Importantly, for the non-government and community sector, a pivotal player in the delivery of contracted out services, the frameworks for service agreements between government and providers were fraught with problems. These issues were related to the introduction of compulsory competitive
tendering in 1994 (abolished by the Bracks government in 1999), the move to output based funding in 1997 under the government's Management Reform Program, and the development of the Service Agreement Management System implemented in 1997/98.

This briefly summarises the social agenda inherited by the minority Bracks government in 1999 which, in common with other state governments, also inherited a macro landscape characterised by increasing inequality. An incoming government faced new challenges as the social context and complexity of inequality had shifted over the 1990s.

THE CONTEXT OF INCREASING INEQUALITIES

Victorian social policy needs to be framed to accommodate a number of disturbing trends:

- increasing inequality, with wages at the top growing exponentially faster than those at the bottom;\(^5\)
- increasing poverty, with 'a decline in the income share of the bottom 10 per cent of Australians during the 1990s, and an increase in the income share of the top 10 per cent' with poverty increasing from about 11 per cent of individuals nationally ten years ago to about 13 per cent in 2000.\(^6\) An estimated 9 per cent to 13 per cent or around 2 million Australians live in poverty and significant proportions are unable to afford the basics;
- rising and persistent unemployment and underemployment (closer to 12–15 per cent than the official rate of 6–7 per cent and much higher for some cohorts in some areas);\(^7\)
- the emergence of 'work rich' and 'work poor' households, with significant numbers of children (one in six) growing up in households where they have no experience of either parent gaining paid work;\(^8\)
- the regressive impact of federal government policies benefitting those at the top more than at the bottom, such as: Family Tax Benefit B, the private health insurance rebate, the 'baby bonus',
and superannuation taxation concessions. ACOSS estimates that $7.2 billion of unnecessary tax breaks and assistance mainly go to the top 20–25 per cent of taxpayers;\(^9\)

- the regressive impact of the Goods and Services Tax on the prices of essential goods and services, alongside a diminishing capacity of charities to respond to escalating calls for material aid;\(^10\)
- a social security system predicated on cost savings, penalties and tighter targeting;\(^11\)
- growth of insecure, casual and precarious forms of employment that lack industrial protections and a 'decent wage' (close to one-third of workers);\(^12\)
- the emergence of new risks (economic, social and political) that are increasingly borne by the individual rather than buffered by the state. These risks are no longer linear and age-related, but may be multiple and recurring, such as redundancy, retrenchment, unemployment, divorce;\(^13\)
- unsustainable levels of household debt and of overspending, with 70 per cent of bankruptcies related to personal consumer debt and households spending more than they earn;\(^14\)
- increasing pressures on households and families unable to buttress risks, brought about by labour market restructuring and the attendant economic marginalisation of some households.\(^15\)

It is clear that those at the margins of paid work are bearing the risks of labour market restructuring, where earnings, hours worked and job opportunities are increasingly patterned along the lines of gender, age, skill, household type and geographic location. New patterns of disadvantage have disproportionately hit migrant and refugee communities, Indigenous Australians, particular rural and urban communities, low income households and families. These changes clearly point to the need for a strategy that responds to a diversity of needs.

Such a strategy must accommodate the complexities of Australian federalism. While the federal government sets macro- and national policy,
and it is the states which mainly deliver services with a mix of Commonwealth and their own funding, a strict division of responsibilities is simplistic. In reality, Australian federalism has evolved into a cooperative intergovernmental model. It is crucial to note the concurrent nature of Australian federalism and, in most areas of social provision, there is some sharing of responsibilities. Although critics rightly point out that this leads to conflict, scape-goating, overlap, duplication and cost shifting, from a positive perspective, structures and institutions encouraging cooperation – the Council of Australian Governments (COAG), ministerial councils and so on – can foster national policy setting and progress on national social and equity goals. As discussed later, federal–state relations may be seen as both a barrier and an opportunity in terms of visionary social policy.

THE BRACKS GOVERNMENT'S SOCIAL POLICY AGENDA

The Kennett legacy and the moving and expanding context of old and new inequalities place a high bar for any social democratic government, let alone one at a state level in a federal system characterised by extreme taxation imbalance, with a brokered majority and a lack of numbers in the upper house in its first term. In many respects, the job performed in Labor's first term was to put on the brake, to damage-control, to reinstate some of the lost teachers and nurses and other social service professionals, and to try to stem the excesses of privatisation, contracting out and output-based funding. The incoming government championed a new language of social capacity and community building and government/community partnerships; alongside a continuing emphasis on government–business/industry partnerships. Important reviews were initiated: local government best value replaced compulsory competitive tendering; the privatisation of youth detention was stopped; Victoria's unique and effective dual track system of youth corrections was retained; output-based funding was replaced by a government policy of 'partnership' in human services. In the important area of service agreements between government and the community sector, the government announced its commitment to addressing problems identified by the Public Accounts and Estimates
Committee and the Auditor-General, and committed to work on a frameworks agreement with the sector. The mood definitely changed.

GROWTH AND TRICKLEDOWN

Four years down the track, two elections and four budgets, the scorecard on social policy achievements is mixed. There is no doubt that remedial spending on ‘getting the basics right’ in education, housing and health has begun the task of repair. This commitment to the basics is clear in the Victorian government’s submission to the Senate Inquiry into Poverty, as to how government sees its own social policy brief:

Governments have a critical role in providing a platform of quality services which are universally available to citizens regardless of their access to other resources. Such provision is fundamental to ensuring that all Australians have a reasonable quality of life. At the deepest foundation, this service platform is built on universal education and health care.

Essentially the biggest difference the Victorian State Government is making is to continue to support the development of thriving and innovative industries across Victoria and to ensure its range of basic universal and targeted services are accessible and affordable for Victorians.

However, as other authors have pointed out in this collection, one is left wondering about the extent to which enough has been done to create a unified strategy that will repair, redirect and rebuild a robust government service platform in the context of new and disturbing social trends. Rather than demonstrating a new, social democratic vision, government policy indicates more a continuance of a neo-liberal ‘growth and trickledown’ approach. The question remains whether a focus on industry development and a basic, targeted and residual service framework can make a real difference to the lives of Victorians.

This is powerfully illustrated by the ‘giving with one hand and taking back with the other’ approach to funding. After the Public Accounts and Estimates Committee inquiry into service agreements documented the
inadequacies of service agreements, their funding and management, in its first term the government had committed itself to ensuring greater stability via three-year funding cycles under a partnership agreement. But under the mischievous title of a 'productivity dividend', the government has effectively reneged on this agreement in the first budget of its second term, stripping an estimated $35 million out of agency budgets over the next three years. This change in policy was put into effect, despite a confidential KPMG Consulting report for the Department of Human Services recognising that there was little or no scope for cutting community sector funding without corresponding cuts to services, and that there is only limited scope for productivity savings within some individual agencies.

ASSESSING THE GOVERNMENT'S FLAGSHIP PROJECTS

The bright lights in the government’s agenda include community building, the ‘best start’ and neighbourhood renewal programs. The Victorian government’s submission to the Inquiry into Poverty gives some insight into the multiple aims of community building:

The Victorian Government conceives of community building as a long-term process which will:

• facilitate stronger, more resilient and self reliant communities in the face of ongoing change and evidence of erosion of attachment to some social and civic institutions;

• promote the capacity of local communities to tackle the complex and multi-faceted issues affecting them, in ways that they consider will most effectively respond to their needs and expectations; and

• reform and renew relationships within communities as well as between government, business and communities to produce more productive and sustainable social, economic and environmental partnerships.

Community building activities which address social exclusion are now operating in every region of Victoria through a large range of programs tailored to meet individual community aspirations.
The government has embarked upon an ambitious experiment with a new department reporting to eight ministers, but without a significant new budget line, resulting in stretched funding based on re-appropriating the Community Support Fund. To date, this department may be likened to the patchwork quilt without the bed. A compendium of over 3,000 projects, ten flagship but ad hoc pilot projects on 'community building' and no further elaboration of more detailed measures or targets from the initial Building Victoria Together pamphlet dated November 2001 (on the government website at the time of writing). As the Victorian government itself acknowledges:

The use of these 'new' strategies is still in the early stages in Australia and there are significant opportunities for more joined up approaches to emerge.20

CHALLENGING INTERGOVERNMENTAL INERTIA

Much discussion around current rising inequality and poverty focuses on areas of clear Commonwealth responsibility including the social security/income tax system, labour market programs, income security, tertiary education, Medicare policy settings and childcare. It would seem, however, that states can do more and could be more proactive not only in their own visionary thinking but in showing leadership on issues of national priority, where brokering deals with the Commonwealth is less of an issue.

With Labor in power in all states and territories, the states could lead on policy harmonisation and innovation agendas. This need not undermine national institutions and could even be used opportunistically by federal Labor, showing leadership where the Commonwealth is recalcitrant; a sort of 'Alternative COAG' driving state-based reforms where there is a cross-state agenda but little Commonwealth interest or action. Attention to some of the lessons on how the European Union has brought lagging member states into consensus agendas such as the European Monetary Union or enlargement could assist Australian states and territories in adopting less cynical and defeatist attitudes to harmonisation agendas.
States typically buck-pass to the Commonwealth in areas where all governments need to be involved such as those singled out for Commonwealth attention by the Victorian government Poverty Inquiry submission including: driving measures and national targets for reducing poverty and children’s poverty; strategies to address entrenched long-term unemployment and improve the regional distribution of employment; ensuring labour market regulation that preserves protection of wages and conditions for vulnerable workers; improving quality and quantity of labour market programs and forging a national early years program.

Examples of policy areas which could forge ahead on national harmonisation via a coalition of states include: the early years agenda for Australia including state harmonisation of the school calendar, starting ages, early years benchmarks, teacher screening and accreditation and so on; state innovations on labour market programs for targeted disadvantaged workers; harmonisation of workers’ compensation systems; best practice learning in areas such as child protection, heritage protection, environmental sustainability, building for the future and state efforts to reduce their reliance on regressive forms of taxation such as gambling taxes, and the social costs of problem gambling. Such a focus on policy harmonisation and learning from innovation would challenge the great wastefulness of prevailing competitive self-interest by states. There is no reason why states cannot advance a united national front on targets and indicators for the elimination of poverty, which could shame the Commonwealth into action.

Competition between states to attract foreign private investment is intense but shortsighted in terms of national interests. Rethinking and actioning cooperative state agendas on jobs growth/industry investment and broad social policy objectives would challenge competitive anti-nationalist policies. These include Victoria’s challenge with the other larger states (NSW and WA) to horizontal equalisation arrangements effected through the Commonwealth Grants Commission. With the shift to greater centralism of control over national tax revenues (the GST is legislatively a Commonwealth not a state tax), states need to exert their leadership over community services and social policy agendas.
CHALLENGING ECONOMIC DETERMINISM AND THE 'PILOT SCHEMES PLAGUE'

The analysis of social spending presented in the editors' introduction to this collection is pivotal to analysis of the social agenda under the Bracks government. As the saying goes, 'you only get what you pay for'. Budget increases have been carefully targeted to election promises and partial restoration of 'the basics'. Government has presented the demands of drought, fires, Commonwealth games and international pressures (terrorism, SARS) on spending priorities as barriers to more expansionist social spending. The government is cautious on new social policy expenditure commitments due to predicted declines in revenue from predicted falls in land transfer stamp duty (with the property slump that has not yet come) and the predicted impact of venue smoking bans on taxes from gaming revenue. However, there is little innovative thinking on how the state could move in the longer term to less reliance on socially regressive forms of revenue. Fines and charges are a case in point. At the time of writing, there is no list of which fines and charges are to be subject to indexation. There are concerns that new moves to index fines and charges will further entrench regressive revenue-raising, to the detriment of reducing poverty and disadvantage.

Effective pursuit of the goals of assisting the most disadvantaged Victorians, and the longer-term agendas of investment in people and prevention, awaits demonstration. Over the last four years, in areas too numerous to list, we have seen the rise of the pilot project. Enormous effort from community workers and researchers, consultants, NGOs, government bureaucrats and others has gone into a virtual 'plague' of pilots of all descriptions, for innovative projects on community building, job generation, social engagement, targeted re-engagement and so on. These pilots have frequently been given one-off funding from the Community Support Fund.

Many reports on such innovations have never seen the light of day and others have been struck out at second base in the funding bid. Once a pilot is successful, then a business case must be made by the relevant department for consideration by Treasury and Finance. Such bids must
typically be 'replacement-costed', based on how they can be funded from savings. Herein lies the frustration, since there is no dual funding regeneration approach at the level of Treasury.

The hollowing out of community over the 1990s – coupled with changing needs associated with rising inequality, unemployment and employment insecurity – points to the need for an upstream strategy focused on prevention. In the initial phase (three to five years) preventive strategies need funding at both ends (prevention and band-aid). One example is the bid in the Department of Human Services to quantify the need for a special program for Complex Clients, who are high cost, multi-need and are often too complex or demanding for mainstream services. After four years, this remains at the report and business case stage.

As David Hayward and John Quiggin discuss in Chapter 2, the key point here is that budget restraints imposed centrally have stifled innovation and vision and the important progression from piloting to mainstreaming innovation. There is little to differentiate Treasury now from its behaviour under conservative, neo-liberal governments. Mainstreaming pilots with proven efficacy is clearly a challenge in the context of tight Treasury control over new spending and a risk-averse organisational culture within the senior levels of the bureaucracy.

Key priorities for a future agenda include:

- setting targets for the alleviation of poverty and disadvantage over three, five and ten years
- actioning social and environmental sustainability and triple bottom line reporting
- developing robust indicators, benchmarks and targets on alleviating poverty, with international comparability
- addressing issues of access and affordability of essential services (electricity, gas, water) through concessions policy
- developing alternative progressive revenue-raising strategies
- prioritising upstream preventative strategies rather than residual safety net systems
• addressing the impediments of a risk-averse public service senior management culture
• regulatory frameworks that prioritise new measures for the protection of the disadvantaged, e.g.: gambling and privatised utilities
• developing strong frameworks for minimum standards in essential services.

A NEW VISION FOR EQUITY, SOCIAL JUSTICE AND COMMUNITY BUILDING

Similar to trends in other developing countries, we see new forms of insecurity and a trend to individuals rather than collectives bearing risk. Government recognises new forms of inequality but, unlike the European Commission and countries such as Ireland, it has not articulated an integrated strategy or vision to advance a fairer more equitable society that prioritises poverty alleviation. Faced with these changes, our challenge is to respond to the breakdown of the old social settlement and those social policy settings and to reinvent new ways of attaining and monitoring a sustainable, just and fair society.

This chapter is underpinned by the assumption that priority should be given to addressing and to stemming inequality and disadvantage and to progressing simultaneously, social, environmental, cultural and economic sustainability. We need a longer-term strategy in the budget framework that addresses equity and redistribution and that focuses on progressive revenue streams. Drawing from European Commission, UK and Irish approaches, government needs to introduce benchmarks and targets against which progress on meeting unmet demand and on important social, and not just economic, goals can be measured.

There is a need for governments, communities, business and the non-government sector to work more closely together to address issues of poverty, inequity and disadvantage and to bring back a language of citizen rights and entitlements to minimum standards of education, health care, housing and community services. We need to address needs upstream, focusing on prevention, structural change and early intervention with
empowerment, participation and capacity-building strategies, rather than waiting for damage and remedial action. The creation of new, decent jobs and access to minimum guaranteed services that help families and communities are fundamental to building a stronger Victoria.

ENDNOTES

2 Linda Hancock and Sally Cowling, Where Is the Social Dividend for Victorians?, Centre for Public Policy, Melbourne University, 1999.
3 Costar and Economou, op. cit.
4 ibid.
7 An Australian Bureau of Statistics study found the labour force under-utilisation rate (unemployed, underemployed and marginalised) in September 2001 of 13.6 per cent to be twice the official unemployment rate of 6.8 per cent (Underemployed Workers, Australia, Cat. no. 6265.0, Canberra, 2002).
8 Dawkins and Kelly, op. cit.
12 Ian Watson, John Buchanan, Iain Campbell and Chris Briggs, Fragmented Futures:


14 Households' reaction to risk is played out in terms of sale of assets, reliance on friends and relatives, use of credit cards accumulating unpayable debt, non-payment of bills, reliance on charities and homelessness. See Terry McCarthy and John Wicks, *Two Australias: Addressing Inequality and Poverty*, St Vincent de Paul, Melbourne, 2001.

15 O'Donnell and Hancock, op. cit.; Argy, op. cit.; Pusey, op. cit.


17 The government has promised an additional $2.75 billion in education and training since 1999, including $822 million to build better schools and TAFE institutes. In the area of housing, the government argues that it inherited a significant public housing maintenance deficit and 'has invested $590 million over three budgets in the acquisition of 2,500 units and invested a further $477 million in upgrading and redeveloping public housing stock'. In health, '(t)he Government has reversed the policies it inherited': the closure of 12 hospitals and 1,000 hospital beds and a reduction in nurse numbers of 2,000. Since being elected in 1999, the government has: increased hospital spending by $1 billion; committed $900 million to rebuild hospitals and nursing homes; opened 900 beds; recruited 3,300 nurses; treated 35,000 more patients each year; established 21 primary mental health services; doubled alcohol and drug treatment services; increased mental health funding by $61 million over four years (*Victorian Government Submission, Senate Community Affairs Reference Committee Inquiry into Poverty in Australia*, Melbourne, 2003).

18 ibid.

19 ibid., p. 22.

20 ibid., p. 19.


24 On the Irish experience, for example, see Helen Johnston, head of the Combat Poverty Agency (<http://www.combatpoverty.ie/>), 'The Irish approach to combating poverty', *Oznam Lecture*, St Vincent de Paul Society, Melbourne, 23 July 2003. For European social policy, see the Europa website <http://europa.eu.int> and the European Policy Centre <http://www.theepc.be>. 