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NEW DEALS AND PRIVATISING UNEMPLOYMENT IN AUSTRALIA

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In March 1998 the Australian government is to introduce a 'market for employment services', under which the government will pay private companies to 'manage' unemployed people. This will create a secondary market for job vacancies, in which private companies are paid by the government to 'place' unemployed people into jobs, displacing the clash between public provision and private markets and, in effect, privatising unemployment. Not surprisingly, the OECD described the proposals as 'breathtaking' when they were announced in August 1996. The Organisation had for some time advocated the use of 'active' policies to reduce unemployment - such as re-training, job placements and tailored 'case management' (OECD 1994). But it had not envisaged handing over responsibility for these to private companies, in a pseudo-market relationship with a government department.

The post-war regime of unemployment benefits was introduced in 1945 with Australia's Social Security legislation. Under the so-called 'work test' unemployed people were required to be actively looking for work if they were to receive benefits. This remained in place until 1988, when a new 'activity test' was imposed. These tests and associated penalties were

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progressively tightened under Labor, culminating in the 1995 *Working Nation* proposals.

Keating: Reciprocal Obligation

Under Keating unemployment benefit was redefined as a wage-like payment for 'job-search' activities or re-training. The idea was floated by the Committee on Employment Opportunities, a group of four civil servants and two academics, who argued the unemployed had a 'reciprocal obligation' to prove they are looking for work if they are to receive benefits. The more time spent on the dole, the more intense is this requirement 'to accept a job or program offer if available ' (CEO 1993, p. 126). The Committee suggested that unemployed people should be required to sign a 'contract' with the Department of Social Security expressing this obligation, and those refusing to sign should have their dole cut. Such a 'contract', signed under duress, would be unacceptable in any other sphere of economic life. For the unemployed it was not only deemed to be acceptable, it was paraded as giving 'a new meaning and genuine effect to the principles of entitlement and obligation'.

Meanwhile, it was recommended that community organisations and private companies should be contracted to the CES to find work or training for those persistently on the dole. This was termed 'case management', an approach drawn from US experiments in 'personal action plans' under Reagan (Jones 1996, p. 166), and from psychiatry, reflecting the assumption that long term unemployment was primarily a symptom of personal, not public, 'inadequacies' (Gosden 1997; Stilwell 1994). The Committee identified a possible conflict of interest between the objectives of the case managers organisations and the objectives of the DSS - community organisations, it was felt, may be reluctant to report breaches of the 'activity test', while private firms may be more interested in profiting from the unemployed. Yet these issues were down-played, as it was assumed they could be dealt with if case managers were required to 'work closely with the CES to ensure compliance' (CEO 1993, p. 153). These new pressures on the unemployed were made politically palatable by the 'job compact', under which the government pledged to assist 'job searchers' and 'newstarters' through a range of re-training schemes. They

were also framed by an overall requirement, asserted in the Committee's conclusions, to 'improve our productivity levels and our international competitiveness', which necessarily involved 'improving the flexibility of markets', including the labour market.

These proposals were adopted by the government, in its *Working Nation* initiative of 1994. An 'Employment Services Regulatory Authority' was set up to oversee the privatisation of employment services to case management 'providers', which were to be given a direct financial incentive to place a proportion of their clients' in unsubsidised jobs (Keating 1994, p. 128-31). At the same time, the penalties for not accepting work were increased: with increased training provision and increased employment assistance, the government argued there was 'strong community support for increased penalties for job seekers who refuse to seek work or who turn down reasonable offers'. Any job offer without health risks and within commuting distance was defined as 'reasonable', with the details to be determined by (private, community or CES) case managers who were 'required to... report activity breaches where they occur'. Reflecting the assumption that people who are persistently unemployed are somehow to blame for their circumstances, a sliding scale was created, with higher penalties for the longer term unemployed. These 'greater obligations on jobseekers' were justified by the previous year's Committee proceedings which 'revealed a strong community concern that some unemployed people are making insufficient effort to find employment' (Keating 1994, p. 123-5).

A double burden was thus imposed on the unemployed. One, already in place, is the social and economic penalisation that comes with joblessness. The second, introduced for all people unemployed for more than three months, involved a requirement to sign contracts, making it easier for the CES and other employment agencies to monitor their activities, on pain of losing the right to a basic income. This simply added insult to injury, with the insult embodied in regulations that define all unemployed people as guilty 'dole cheats', until proven innocent. The burden of proof was placed on the unemployed, with CES officials and case managers, whether 'community' or private, acting as judge and jury.

The 'activity test' became, in effect, a lifestyle test. Unemployed people had to constantly provide evidence that they 'deserve' the dole and could

be questioned about income, unpaid activities and co-habitation. Officials and managers define what job or training offer is 'reasonable'; they can require 'job seekers' to improve their 'personal grooming' and 'respect for authority'; and can restrict movement to areas with 'low employment prospects'. If found to be in breach of these 'activity tests', unemployed people were to be penalised by the denial of benefit, on a scale from two weeks to three months. The punitive nature of these fines - 'quasi-penal' as one review tribunal called them - can be illustrated by comparing the resulting loss of income with criminal sentences, as outlined in Table One.

Table 1: Penalties and Sentencing: 'Dole Fraud' and Criminal Sentencing

'Dole Fraud' Penalty	Criminal Sentencing
Two Weeks - $316	Malicious Destruction of Property - up to $300
Four Weeks - $613	Stealing from a Person - up to $400
Eight Weeks - $1266	Actual Bodily Harm - up to $700
Twelve Weeks - $1900	Fine for Drink Driving - up to $800

Source: National Welfare Rights Network, 1996a; sentencing figures for NSW, 1995.

These penalties are imposed by administrative decision, not by judge and jury; there is a right of appeal to an independent tribunal but only after the penalty has been imposed, that is, after the damage has been done. Incredibly, an unemployed person's penalty 'history' is not wiped out when they enter employment; if they become unemployed again, they begin at the same place on the rising scale of penalties. This quasi-judicial penalty record, a direct corollary of a criminal record, remains in place for up to three years.

Case managers and department officials have not been slow to report breaches of 'activity agreements' and enforce these penalties. From April 1995 to March 1996 there were 104,000 benefit-stops, in which unemployment benefits were denied for two weeks or more. Roughly half were due to breaches of the 'activity test', and the rest were imposed for 'administrative breaches'. This means that up to 12 per cent of Australia's

829,000 unemployed people were deliberately forced below the government's own $150 per week 'breadline'.

The new penalties and tightened activity tests have increased the power imbalance between 'job seekers' and government officials - and not least for those under 'case management'. This imbalance was sharpened by political pressure, as the quality of trainee or job placements declined in direct proportion with the pressure to reduce the dole queue (Freeland 1994). Not surprisingly, *Working Nation* was followed by a flood of appeals and rising concern about the resulting hardship, expressed by members of the Social Security Appeals Tribunal and the Administrative Appeals Tribunal, which have proved signally ill-placed to defend the weakened rights of the unemployed. As the National Welfare Rights Network has argued: 'In a system which actually withdraws basic income support as a penalty, it is critical that all safeguards work both efficiently and beneficially, as the system tends to assume guilt until innocence is proven' (1996b, p. 8); but safeguards can do little when they are so clearly contradicted by the policy framework. It is this system which is now being extended under Howard's *Real Jobs* initiative.

Howard: Privatising Unemployment

Once in office, from March 1996, the Howard government quickly prioritised inflation-reduction over the pursuit of full employment. While State governments competed to comply with credit rating criteria, economists talked of the 'natural' rate of unemployment and the Reserve Bank was told to ignore it. In unemployment policy, Keating's training 'carrot' was removed and by the end of 1997, 74,500 training places had been lost, a fate shared with thousands of Aborigines and Torres Strait Islanders affected by cuts to the ATSIC Community Development Employment Programme.

While Keating's 'carrot' was removed, a heavier 'stick' was introduced, with a tightened 'activity test' and increased penalties. From July 1996 benefit recipients were required to fill out 'dole diaries'. Like police suspects, they are brought in for questioning on their whereabouts and activities, the difference being, in their case, that questioning can be a

regular, probably weekly burden. In an explicit reference to increasing the 'disincentive' for 'specific lifestyle choices', it was further proposed that the 'penalty' for moving into areas of higher unemployment be doubled to 26 weeks, a fine of $4,126. There was no recognition that such 'lifestyle choices' may reflect a higher cost of living in high employment areas, and that this may be exacerbated by the government's own policies on charging 'market' rents for public housing. Other 'lifestyle choices' requiring punishment include industrial action, which, it was proposed, should attract a six week penalty, as otherwise, 'workers can make a voluntary decision to strike knowing that once they cease their action, unemployment payments are available' (see Social Security Legislation Amendment Bill, 1996).

The government also sought to tighten the definition of a 'reasonable' job offer. If unemployed interviewees lacked the necessary skills, they would be required to ask potential employers to train them; if a job was unsafe they would have to ask employers to improve working conditions; and if a job was beyond commuting distance, unemployed people could be required to move (the only exception being benefit recipients with child dependents living at home). These provisions are clearly designed to sidestep the existing definitions of 'reasonable' job offer - namely one that is suitable, safe and within commuting distance. If benefit recipients turn down a job offer on these grounds, they will fail the 'activity test', and lose benefit for six weeks, rising to three months on the second 'offence'.

This harder 'test' - soon unemployed people will have to attend training to learn how to pass it - combined with the increased penalties, are expected to increase the government's claw-back from the unemployed. In 1995-6 $22.5m was 'saved' by this clamp-down on so-called 'dole fraud'; with the new measures, the Treasury expected a claw-back of $105m in 1996-7. This contribution to the Commonwealth coffers came directly from the pockets of the poorest members of Australian society, yet was worth mentioning as an 'achievement' in the 1996 budget statement by the Minister for Social Security.

Equally significant, the government began denying access to the dole for certain categories of people regardless of their ability to support themselves. Under proposals approved by the Senate in 1996 (with Labor support), new unemployed migrants face two years without access

to unemployment benefits. Similarly, under proposals for a new 'youth allowance', people under 20 and students under 25 would have to wait until their parents are impoverished before they can claim (DEETYA 1996b). In both cases, unemployment is redefined as a private problem, not a public issue. Migrants are unemployed because of a 'private' decision to come to Australia, and hence they are to blame for their plight. Young people are privatised into the parental home with public dependency replaced with private dependency. This reinforces a general trend away from full time work, and into higher education, part time work or the dole queue - over half of all school leavers went into full time employment in 1985, by 1995 that had fallen to 28 per cent. The domestication of youth poverty is also reflected in the greatly increased numbers of young people living with parents, for instance rising from 29 per cent to 38 per cent for young women between the ages of 20 and 24, 1983-93[1].

But the main innovation was the government's announcement that it would create a 'market' for employment services (DEETYA 1996a). As noted, these proposals built on the *Working Nation* idea that employment placement agencies should be given a financial reward for getting their 'client' off the unemployment register. Under its much more extensive proposals, job placements will become commodities to be bought by DEETYA from private placement companies or non-profit organisations. These will compete for Department contracts, in theory bidding up quality while bidding down price. A new Commonwealth Services Delivery Agency (CSDA) will administer benefits and refer unemployed 'clients' to the Employment Placement Enterprises, which will include the CES job centres (recreated as a Public EPE - a PEPE). Benefit recipients will have the right to choose an EPE or PEPE, provided a choice exists; if they fail to choose, then the CSDA will allocate them. The CSDA will have assessed all of its referrals, and determined the level of need; EPEs will have to accept this assessment, only under 'exceptional circumstances' will a 'special needs assessment' be permitted, and then only at the company's cost.

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1 *The Australian*, 26 April 1997.

The Social Security system set up in 1945 established a right to unemployment benefit through the benefit provider, namely the DSS, on condition that recipients were registered with the labour exchange (the CES). Labor's reforms blurred this distinction between the CES and the DSS by linking them together through the intensified 'activity test'. This linkage was deepened as 336,000 'jobseekers' were transferred onto case management, with most remaining 'in house' (75 per cent), in an effective merger of DSS and CES roles (DEETYA Annual Report 1995-6, p. 145; Saunders 1995). The Coalition reforms propose to dispense with the CES-DSS distinction altogether, replacing it with a new 'purchaser - provider' distinction. The Department becomes the purchaser, with the CSDA as its intermediary, while the old CES and assorted case management agencies become the 'providers'.

In time, the intention is to move to 'price based tendering', with placement agencies competing on price for their 'clients'. The Department will draw up the contracts and conditions, and the CSDA will allocate the 'caseload' to the most competitive 'providers'. This, it is argued, would 'allow the employment placement market to set the true cost of obtaining outcomes for jobseekers' (DEETYA 1996a). Initially though, as a transitional arrangement, a fixed fee structure is proposed. This is outlined in Table 2, which highlights the scale of the proposals and the 'prices' to be paid for re-employment. These figures are drawn from the 1996 consultation paper; in later reports DEETYA announced it would seek to allocate 660,000 'job seekers' in the first 'contract period', roughly equivalent to 80 per cent of unemployed Australians.

This is not a conventional form of unemployment policy. Public money is not spent on creating jobs or on providing a basic income, but on obtaining 'placements' from recruitment agencies. Unlike investment in public works, in social infrastructure or in environmental regeneration, this initiative does not generate employment (for a discussion of these and other options, see Stilwell 1994). It fails to direct public spending into labour intensive schemes or even into income support. On the contrary, the 'fees' paid out by DEETYA will create no jobs and will flow into the pockets of private intermediaries, not employment providers.

Table 2: Proposed Prices for Job Placements, 1998

	Fee per 'Client' ($)	Number of 'Clients'	($M)
Labour Exchange Placements	250	300 000	75
Job Search Assistance	600	55 000	33
Newly Unemployed at High Risk	5000	87 000	435
Unemployed over Two Years	7500	72 000	540
Special Groups	10000	19 000	190

Source: DEETYA 1996a, adapted from Charts 7.1 and 9.2. 'At risk' refers to risk of becoming long term unemployed; 'special' groups include people with disabilities and Aboriginal and Torres Strait Islander clients who confront multiple barriers to unemployment.

To pay for this, training provision has been cut back. This was the bribe that helped gain public support for Labor's 1994 regime, and it had been relatively successful, with training increasing the proportion of the long term unemployed gaining a job from 10 per cent to between 22 and 41 per cent, depending on the programme (DEETYA 1996c). The new government deemed this to be a 'hoax' and the programmes were cut by $1.5 billion between 1996 and 1997. By March 1998 all such 'labour market programmes' are to be subsumed under the new 'employment services market', with the exception of some regional and ATSIC programmes amounting to $370 million (DEETYA Budget Statement, 1997). This has broken the previous governments 'compact' with unemployed people and perhaps they would be justified in expecting a parallel withdrawal of their 'reciprocal obligation'. But, as already outlined, the opposite has occurred - tests have been tightened and penalties are rising. By way of compensation, the government claims the new 'market-based' system will be 'more accountable to clients'. But unemployed 'clients' will not gain 'consumer sovereignty'. On the contrary, the only consumer in the new market is the DSS, which simply pays the placement agencies to reduce the dole queue.

A central element in this is the delegation of public powers to private companies. These include former CES powers to 'require a referred

jobseeker to enter into an 'Employment Assistance Activity Agreement'. This involves 'attendance for negotiation of the Agreement', willingness to 'approve the terms and conditions negotiated in the Agreement', and to 'undertake activities, attend meetings and provide information' (DEETYA 1997, para 4.2.2). EPE's will be given confidential information on 'job seekers' by the CSDA, whether they have chosen to be allocated or not, including employment history, personal details and job skills. These placement 'enterprises' - not the CSDA - will take a central role in 'determining activity test requirements and... monitoring compliance with those requirements' (DEETYA 1996a, p. 23). There will be 'guidelines' for this but the government will avoid imposing 'detailed restrictions'. This is reflected in the 'industry code of conduct', released in April 1997 which makes no mention of the process of drawing up 'Activity Agreements' and merely states EPE's should 'explain' why 'job seekers are being asked to give information about themselves'.

Extensive powers will be contracted out, and there will be every incentive to force claimants into jobs - indeed the creation of such 'incentives' is the declared objective. In 1995, Senate opposition parties had expressed concern at 'the propriety of contracting out what are in effect powers of sanction to private agents' under *Working Nation* (Senate 1995, p. 98). These powers have now been extended, price competition between case management agencies is to be encouraged, and regulatory powers have been weakened. The CES will in effect become a private company, the independent Employment Services Regulatory Authority will be dissolved, complaints will be processed by the Secretary of State, while reviewable decisions - such as benefit-stops - will continue to be referred to appeal tribunals. The whole gamut of policy implementation will be shifted out of the public realm into the cloak-and-dagger world of business confidentiality; all information about EPEs will be treated as 'commercial-in-confidence', drawing a veil over centrally significant aspects of public expenditure and state responsibility.

There is no doubt that the weakest will suffer from this latest experiment in privatisation. Providers of emergency relief have stressed that people were being denied benefits under *Working Nation* because they are socially vulnerable - not because they are 'dole cheats'. Vulnerability to mental illness, drug dependency, illiteracy and homelessness is only

intensified by benefit-stops; the various bureaucratic requirements and 'activity tests' already grant extensive discretionary powers to social security officials, which penalise the vulnerable as 'undeserving'. This is widely seen as an inevitable consequence of benefit rules which seek to categorise and discipline the unemployed; research in the UK, for instance, found two categories of 'undeserving' poor, claimants who are knowledgeable or assertive and claimants who deviate from a set of 'traditional' moral values endorsed and enforced by the benefit officers. As for the 'deserving' poor, they were compliant and conformed to the set of moral values endorsed by staff, and hence were considered to be in 'real' need of unemployment assistance (the research was conducted in Northern Ireland in the late 1980s, Howe 1990, pp. 108-9). This is reflected in the Australian experience of *Working Nation*, where 61 per cent of benefit-stops were imposed on under 24 year olds, who made up 37 per cent of total unemployment. Clearly young people were being penalised for their non-conformity - not for their efforts at defrauding the taxpayer. There are no equivalent figures for other socially vulnerable groups, although the message from emergency relief agencies is clear - benefit-stops punish the vulnerable. This raises the question of why these measures are being introduced, and what their broader impact will be. This is briefly addressed in the following, concluding section.

Privatising Public Power

Welfare for the unemployed is founded on the principle that the conditions for those on welfare should be worse than for those in work. This 'workhouse principle' dates back to 1834 in the UK, and equally applies to 'outdoor relief' through the contemporary benefits system (Wiener 1990; Stretton 1996). Currently in Australia there is work available that pays less that the dole - for instance, part time or casual work - but the government is subject to the constraints of liberal democracy and finds it politically difficult to reduce the unemployment benefit below these levels of pay. As a result, a contradiction has opened up between the commonly-accepted minimum basic income, guaranteed by the government through the dole, and the decline of wage levels below that minimum.

This reflects a broader tension between the worker as a commodity and the worker as a citizen. Under capitalism labour power is bought and sold in the marketplace through a private transaction between employee and employer. But under liberal democracy, employees are also citizens, with rights and responsibilities accorded to them simply by virtue of their nationality. These public rights are upheld by the state, through the courts, which enforce a dividing line between public and private spheres. That line, defining private 'freedoms' and public responsibilities, is drawn by the legislature, and varies according to the intensity of social conflict, for instance over the distribution of economic surplus.

All such public responsibilities have only been established through political struggle, and most remain partial and contingent. This is particularly true of provision for the unemployed, which is founded on various distinctions between the 'deserving' poor who are 'involuntarily' unemployed and hence are a public responsibility, and the 'undeserving' poor who are 'voluntarily' unemployed and are deemed to be responsible for their own poverty. As noted, this is reflected in Australian policy - the state in Australia has never accepted unqualified responsibility for unemployment, and unemployment benefits have never been unconditional. The 1945 'work test' for instance, defined responsibilities for the unemployed, in terms of looking for work, as well as for the DSS, in terms of benefit payments. In this respect, the test acts as the dividing line between public responsibility and private blame, and the agencies that enforce it in effect determine the meaning and extent of social citizenship.

With rising unemployment, the pressures for reduced public responsibility intensify. A greater proportion of unemployed people must be defined as 'voluntarily' unemployed, and this means tightening the eligibility test, raising the penalty for breaches of the test, and denying access to benefits for those deemed to be intentionally unemployed (migrants) or to be less than full citizens (young people under 20). At the same time, 'work for the dole' schemes are introduced that express and promote the 'assumption that a primary cause of joblessness in the

"target" group lies in their attitudes and character deficiencies' [2]. Those remaining on the dole queue will be referred to private agencies that are paid according to the number of people they 'place' into 'real jobs', defined as anything above 20 hours a week. The remainder will simply be denied benefits for failing to abide by their 'Activity Agreements'.

Significantly, the shifting of the borderline from public to private responsibility for unemployment is to be enforced by profit-seeking 'placement enterprises'. Such privatisation of state power extends the logic of the market, with the unemployed explicitly defined as commodities, each with a price tag determined by the extent of competition between 'placement agencies'. In May 1997 the Minister for Employment argued that EPEs will seek to place non-benefit 'clients' as well as CSDA referrals, as when a business looking for staff contacts it, the EPE will need sufficient 'stock on their shelf... they are going to want to have as much stock on the shelf as they can, so they can keep the business happy. If they don't keep the business happy, it will look for another EPE' [3]. There is an easy ideological slide here into defining unemployed people as 'stock on the shelf', not as people with citizenship rights, reflecting business-studies notions of 'human capital'. But the new EPEs will not simply be private businesses - they will also exercise extensive public powers over their benefit-receiving 'clients', specifically, the power to deny access to a basic income. These market 'incentives' will deliberately confuse the dividing line between public accountability and private interest. With the tightening of eligibility, social citizenship is removed for clearly targeted sections of the community; with a proliferation of private companies determining eligibility, there is a parallel lurch into a decentralised, 'pre-modern' welfare model, where decisions are arbitrary and decision-makers are unaccountable. Coordination and accountability problems were intense under *Working Nation* (Jones 1996, p. 170); this residual coherence and public-service orientation will disappear under the *Real Jobs* initiative.

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2 R. Fitzgerald, President of the Australian Council of Social Services, *Sydney Morning Herald*, 11 February 1997.

3 *Sydney Morning Herald*, 9 May 1997.

Such a scenario could place Australia in breach of international treaty obligations. In particular, the *Real Jobs* initiative could be judged to constrain the right to free choice of employment, and to employment protection, as detailed under the Universal Declaration of Human Rights. Article 23 (i) of the Declaration asserts that 'Everyone has the right to work, to free choice of employment, to just and favourable conditions of work and to protection against unemployment' (Quoted in Coates *et al* 1995, p. 3); if protection is withdrawn in the event of turning down a job offer, then there is no free choice of employment. Similar commitments are in place, for instance under International Labour Organisation, Convention 122, which requires signatories to 'declare and pursue as a major policy goal, an active policy designed to promote full, productive and freely chosen employment' (Quoted in Langmore and Quiggin 1994, p. 160). Also, under the International Covenant on Economic, Social and Cultural Rights, signatories are obliged to 'safeguard the right to work, which includes the rights of everyone to the opportunity to gain their living by work which they freely choose to accept'.

Whatever the legal implications, the new regime is guaranteed to further undermine concepts of social citizenship, and to negate social solidarity. Already, under *Working Nation*, unemployed people are subjected to a series of obligations that remove conventional citizenship rights. 'Reciprocal obligations' were seen as creating an 'active' citizenry, but they only apply to benefit recipients. Those who are no less 'unemployed', yet live off rents or dividends - making their money work for them - are not required to be so 'active'. Reflecting this, a sharp hierarchy of citizenship is emerging - from recent migrants who are denied benefit rights, through to the 'case managed' unemployed. This facilitates direct income transfers from the unemployed to the better off - the NSW Welfare Rights Centre for instance calculated that the 1996 budget transferred $1.5 billion from the unemployed to those with incomes over $70,000. There is also a political dimension: as recipients of unemployment benefit are no longer able to claim the same civil rights as the rest of the population, the Australian welfare state ceases to offer its citizens access to a 'material minimum... by right of community membership', a collective right which Shaver describes as the 'foundation for full participation in civil society and political process' (Shaver 1995, p.4).

Restrictions on rights for the unemployed are also designed to act as a warning, and a discipline for those in work. The unemployed, casualised or part-time periphery threatens the core full time labour market; this allows 'flexibility' to be imposed, leading to the evaporation of job security in a vortex of ever-increasing labour-time. Penury for the labour reserve is paired with over-employment for full time workers, who are persuaded to work longer hours - a third now work more than 49 hours a week, up from a quarter in 1980[4]. More generally, the marginalisation of Australia's unemployed 'reserve' has been a central factor in creating the 'historic bloc' of class forces committed to driving further down the path of capitalist 'flexibilisation'. Unemployment is a central element of 'flexible capitalism'- but it is an embarrassment to elected governments. Neo-liberal state leaders, whether reformist or conservative, seek to force the impoverished off the headline dole figures, and to do so the unemployed must be closely monitored, controlled and scapegoated. This undermines social solidarity and promotes an intense politics of fear and insecurity.

More optimistically, such crude measures of dividing and controlling populations expose the fragility of the state's social contract, and of the 'citizenship' that it claims to guarantee. 'Flexibility' requires ever more restrictive surveillance to determine who is 'low risk' and inside the circuit of capital, and who is risk-prone and an 'outsider'. Yet, as Stephen Gill points out, this surveillance is a sign of systemic weakness, not of strength - 'the intensification of surveillance in the workplace and in the streets are signs of a crisis of motivation, social order and government legitimacy' (Gill 1995, p. 40). Liberal democracy depends on a shared sense of entitlement, and on some concept of social citizenship, as the bedrock of civil and political citizenship. Unless it is able to underpin social solidarity the state will face an increasingly fractured civil society. In this respect, the impoverished and jobless present a profound challenge to the claim that Australian market capitalism brings benefits to all. That challenge is primarily symbolic, expressed in unemployment figures. But as the state's legitimation role is progressively undermined, conflict between social groups served by the state and those marginalised

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4 A case of all work and no play, Wooden M. and Rowe D., *Sydney Morning Herald*, 30 September 1996.

by it is likely to intensify. Out of this, new demands for meaningfully democratic and participative governance may emerge.

In Australia, assertions of egalitarianism and the 'fair go' are trotted out like a mantra by the mainstream, seemingly hand-in-hand with intensifying social division. A yawning gap has opened-up between lived experience and official legitimation - a gap that, potentially at least, can destabilise the complacent neo-liberal consensus. The challenge to this ideology, a task for the most part abandoned by Labor in government, is now left to activist and social movement organisations. An initial principle - as Rob White argues - is that 'the right to the means of life should not be contingent on activity but should be based on need' (White 1996, p. 136). Maintenance of the means of living - whether through work or welfare - must be the absolute priority of economic policy. No government should have the power to force people below the bread line.

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