SOCIAL POLICY

Ben Spies-Butcher

Labor's small target strategy and its acceptance of conservative fiscal priorities has left many progressives frustrated. Reflecting on the history of Labor governments since the period of liberalisation, this outcome is less surprising. Containing state finances and balancing budgets is now firmly established as a bipartisan political imperative, displacing the social claims that once animated progressive politics. There is, however, some cause for cautious optimism. Labor's commitments to better combine work and care point to a more ambitious politics centred within social reproduction, while changes to budget practices indicate a willingness to raise the government's fiscal horizons. Reconciling a new wave of reformist energy with Labor's technocratic approach to governance will be an important challenge, and one broader civil society and parliamentary allies will need to play a key role in resolving.

Labor's first term social policy has been cautious. Having won office with a relatively modest fiscal platform, its most prominent commitments were either to be phased in gradually or, like the National Independent Commission Against Corruption or the referendum on an Indigenous Voice to parliament, have little fiscal impact. Fiscal moderation is at the heart of Prime Minister Anthony Albanese's long-term electoral strategy and his call for Labor's base to limit their horizons to the current budget envelope. Labor's modest agenda has frustrated many, but the strategy is more familiar than surprising, reflecting both recent electoral history and a longer-term shift in Australian politics.

The Coalition won the 2019 election opposing Labor's plans to remove tax concessions and thus increase tax revenues. Prior to the pandemic, its focus on constraining spending led to the illegal Robodebt tragedy, but

Spies-Butcher, B. (2024)
'Social Policy'
Journal of Australian Political Economy
No. 92, pp. 75-85.

also allowed Treasurer Josh Frydenberg to (somewhat pre-emptively) claim the budget was 'back in black and Australia is back on track'. In response, Labor committed to limit public debt *and* taxation Labor's most ambitious fiscal plans were provided by its opponents – the Stage 3 tax cuts and mid-bogglingly costly AUKUS military deal – both of which were affirmed by Labor to neutralise issues it saw as strong for the Coalition.

Since the early 1980s Australian Labor has adopted a fiscally conservative approach to government. To distance itself from the record of the Whitlam government, Bob Hawke committed to the 'Trilogy' – promising to restrain public finance by limiting taxation, expenditures and debt as a proportion of GDP. That fiscal straight-jacket was reaffirmed by the incoming Rudd Government more than twenty years later, and is echoed in the current Labor Treasurer Jim Chalmers' celebration of a budget surplus, achieved through tight spending controls in the midst of falling real wages and a cost of living crisis.

Drawing on a recent analysis of how liberalisation has changed the politics of welfare in Australia (Spies-Butcher 2023), I examine the new government's social policy agenda and prospects for a more egalitarian strategy. Liberalisation has brought fiscal politics centre stage, and with it technocratic debates over the framing of public and private finance. Anxious to avoid budget scare campaigns, Labor governments have shrunk their aspirations. The modest progress that has been made has come through movement alliances built within the welfare state itself, which unite citizens around the provision of care and challenge conventional measures of value.

The result is a more complex picture than often imagined. Social protection and market competition have been combined differently in different domains, leading to divergent outcomes and political dynamics. Overt residualisation has advanced alongside a 'dual welfare state' of tax concessions that conceal generosity to private providers and the upper middle class (Stebbing and Spies-Butcher 2010). States have also sought to expand access and equity by reshaping public power in market terms, expanding access alongside technocratic governance.

Labor's latest term of office continues three important legacies of Australia's post-liberalisation approach to social policy. First, its strong commitments to fiscal constraint have seen timidity and tinkering in the face of significant economic and egalitarian challenges. Positive changes have been made, but these have been modest and targeted, avoiding bigger political battles. Second, when faced with political pressure to expand social support, Labor has looked to shift spending off budget, creating increasingly complex and marketized mechanisms to circumvent fiscal constraints. Finally, Labor's more significant commitments reflect the changing politics of welfare, the growing strength of care unions in the labour movement alongside the rise of working women as an electoral constituency.

Tweaking the safety net

The campaign to raise the rate of JobSeeker received a significant boost during the pandemic. Part of the Coalition's response was to temporarily expand social security, effectively doubling JobSeeker and reducing conditionality (Ramia and Perrone 2023). It left many low income people better off (Davidson 2022), with significant improvements in health and wellbeing (Klein *et al.* 2022). In opposition, Labor agreed that the payments should be permanently raised, but failed to commit to that during the election campaign. Instead, it tied its philosophical commitment to ensuring that payments are adequate to its budget priorities (Stayner 2022).

Following Senate negotiations to pass industrial relations changes, Labor formalised its fiscal assessment, creating a new committee to examine payment adequacy for each annual budget. Despite the committee finding payments to be well below any reasonable definition of the poverty line (IEIAC 2023), the government only committed to a modest $20 a week rise, less than the rise instituted by the previous Morrison Coalition government in the wake of the pandemic.

Labor instead sought more targeted solutions. As inflation rose and real wages fell, the government made a series of modest changes (Treasury 2023a). Rent assistance was increased by 15%. Higher payments for older claimants were extended from those over 60 to those over 55. Eligibility for less conditional and higher parenting payments was also extended to parents with slightly older children, partly reversing decisions by the Howard and Gillard governments. Even incentives to expand bulk billing were targeted to children and older people (Treasury 2023b), undermining Medicare's universality.

The largest immediate spending was for new energy rebates. The rebates also reflect the importance of how economic measures are used, repeating an earlier Labor strategy (see: Spies-Butcher 2023: 79) to structure support so that it could be accounted for as lowering energy prices (thus lowering inflation and the likelihood of further interest rate increases) rather than as increasing spending.

Taken together, these measures are not insignificant. However, each change also reflects Labor’s strongly technocratic approach to social policy. Targeting has long been a central plank of Australian welfare, but attention to small incremental changes at the margin of various payments is increasingly Labor’s core social policy response to inequality. A significant increase in revenue forecasts ensured the changes could also be funded while maintaining a budget surplus. Without that unexpected fiscal windfall, Labor’s response may have been even more meagre.

Focusing on making minor changes to benefit rules can be an efficient means of managing technical definitions of inequality and need, but can also distract from making the political claims necessary to establish rights, build constituencies and defend entitlements. It reinforces the complexity of a system riddled with poverty traps and the residualisation of benefits as a whole. When budget pressures tighten, Labor often rewinds the very gains it previously instituted, as it did in 2013 when it froze the indexation of eligibility for family benefits. The freeze has remained in place ever since, leading to a steady and now significant decline in the proportion of families able to access what was one of the few relatively universal elements of the Australian system (Klapdor 2022).

Moving off-book

Another legacy of liberalisation in social policy is an ongoing and highly technocratic effort to restructure social spending so that it no longer counts against the budget bottom line. The most obvious example under the Albanese government is its response to the housing crisis. Its core policy commitment on housing is the Housing Affordability Future Fund (HAFF), although similar accounting logics underpin new support for first home buyers. Building on several other ‘off budget’ measures, the HAFF involves public borrowing to finance investment in financial assets. Under the model, (public) debt is offset by a (market) asset, which moves the entire operation off the annual budget and into the (recently created) public balance sheet.

The HAFF allows the government to leverage its own risk profile, by paying a lower rate of interest on its bonds than it expects to receive from its market investments. The difference is then directed towards housing. However, the HAFF does not purchase housing. Instead, the revenue is used to provide non-profit housing providers with a subsidy to make up the difference between their expected income from social rents and their operating costs (Thomas and King 2022). This allows providers to secure market finance. This remarkably round-about HAFF model highlights the power of public budget rules. By marketizing and financilising government finance, Labor is able to fund housing apparently for ‘free’.

The proliferation of similar bodies at state and federal level reflects a fundamental *asymmetry* produced by changes to budget processes accompanying liberalisation (see: Spies-Butcher and Bryant 2023). The same balance sheet manoeuvres are not available for more traditional forms of public investment. Were the government to simply buy public homes it would appear to be spending billions, funding that disappears through the shell structure of the HAFF. Of course, being structured as a market fund requires investing in market-like entities and paying private fund managers. A similar logic is at play in efforts to encourage super funds to provide affordable housing. Semi-private industry funds investing in semi-private affordable housing is preferable to the fully privatised ‘supply’ model advocated by market economists (Tulip 2020), but also takes the place of the traditionally public models Labor once advocated.

Revaluing care

The most promising developments within social policy centre on care and work, a theme that has dominated Labor spending commitments since the 1980s. Early in his leadership, Albanese staked out working women as a key Labor constituency (Albanese 2019). The government has since moved to expand access to childcare funding and extended paid parental leave. Both changes are phased in and relatively modest, and both build on existing schemes rather than fundamentally changing their logic. Even so, they help to entrench and universalise expectations around combining work and care. A review of aged care may go further, generating new revenues to fund a higher quality system.

The commitments to better fund the provision of care reflect a consistent counterweight to Labor’s more familiar efforts at liberalisation. Throughout the period of neoliberalism, feminists successfully mobilised behind the provision of care, even in the face of increasingly strong fiscal constraints. Alongside Medicare, spending on families was the largest fiscal commitment to social spending under The Accord during the Hawke-Keating governments. Federal Labor's current commitment to fund higher wages for aged care workers headlined its cost-of-living package in the 2023 budget, while ending the public sector wage cap was key to NSW Labor's platform in the 2023 NSW election and its first budget. Expansion of public funding for care work continues, however, alongside the marketisation of care provision (see: Meagher *et al.* 2022).

Under successive Labor governments increases in funding for services has been accompanied by a revaluation of care work. Unions have built campaigns with parents and carers that span fiscal and industrial strategies. Industrial relations changes under both the Gillard and Albanese governments have made it easier for care workers to win disproportionate pay rises on the basis that the feminisation of care labour has caused its systematic undervaluation (see: Cortis and Meagher 2012). Regulatory changes have mandated minimum qualification and ratio levels for staffing within care services.

Australia has a long tradition of addressing inequalities through wages policies rather than public spending. However, changes to the valuation of care are all the more impressive because this requires a significant fiscal commitment, given that demand for virtually all care remains a function of public funding. When Labor mandates ratios for nurses or facilitates higher wages for care workers, it creates new pressures to fund the state and non-profit providers who employ those workers.

Raising expectations

Although the constraints of liberalisation continue to shape Labor's policy agenda, there are signs of a more ambitious politics emerging, both inside and outside government. Labor has begun to transform budgeting processes, reflecting older strategies that have supported more public forms of provision. These accounting and framing strategies are increasingly backed by organised social interests, built around social reproduction, and a more diverse parliament with the potential to hold those interests together.

Labor's ambitions can be seen in changes to the budget documents used to guide policy and map the future. The political power of fiscal arguments has made these documents far more important, while liberalisation itself has reshaped public budgeting to reinforce fiscal constraint. Alongside the changes to accrual accounting, which created the incentives to marketise public investment, the Intergenerational Reports (IGRs) created their own asymmetries. IGRs typically model public *spending* while assuming away any change in *taxation*, and focus only on *fiscal* impacts rather than broader *economic* costs and benefits (Spies-Butcher and Stebbing 2019). The most recent IGR includes subtle changes, building on another Labor invention – the Tax Expenditure Statement (TES) – to potentially challenge private welfare.

The TES was first introduced in the 1980s and reflects successful policy accounting reform efforts from the 1970s. The statement identifies and quantifies tax concessions. Because tax concessions involve *not* paying tax, they are largely invisible in traditional public budgets. Yet, concessions create the same fiscal, distributional and incentive effects of similar spending policies. Thus, the TES frames them as tax *expenditures* (Surrey 1973).

Identifying these fiscal 'leaks' has been important to growing social spending. Labor funded Medibank, its original universal health insurance system, by ending tax concessions for private health insurance. The expansion of relatively universal and egalitarian family payments in the 1980s was largely funded by ending concessions for high earning breadwinners with stay-at-home partners (Cass and Brennan 2003). Closing tax concessions was a key demand of the union movement under The Accord, and the TES has since been used by a range of think tanks to fund proposals to expand social spending.

Having been scaled back and renamed under the Coalition, Labor has seen the TES broaden its scope, including more of the concessions within the housing system and detailing the distributional impact as well as the fiscal cost of concessions (Treasury 2023c). Tax concessions have also been incorporated in the IGR for the first time. The latest projections now show that, while public spending on the pension is likely to decline as a proportion of the economy, this fiscal impact is entirely offset by the growth of tax concessions for superannuation (Treasury 2023d: 168-9). The TES reveals that those same concessions are radically inegalitarian (Treasury 2023c: 15-9). Take together, the TES and IGR read as blueprints for new funding efforts in later terms of government.

Both the 2019 election and the previous Henry Tax Review, however, signal caution. It was the organised response of mining capital to the Henry

Review’s proposed minerals super profits tax that, more than anything else, destabilised the last Labor government (see: Bell and Hindmoor 2014). Labor’s proposals to limit tax concessions in the run-up to the 2019 federal election also saw a fierce scare campaign. In contrast, expanding health and family spending relied on strong support by unions and the women’s movement, and involved proposals that more explicitly tied changes in taxation to new social entitlements. Measuring tax expenditures can help answer the fiscal question, but it is the promise of new social rights and the movement alliances fostered by such bold policies that wins political battles.

The women’s movement also succeeded in expanding public spending on early education and care by identifying the potential fiscal benefits of expanding provision. Governments, and, perhaps more importantly, Treasuries were convinced that spending on early care paid off through female workforce participation and enhanced human capital formation (see Brennan 199: 197-9). That logic is echoed in another set of financing documents - in the details of the committee charged with considering the appropriate level of government benefits were recommendations to forecast, benchmark, track and model ‘savings from the alleviation of disadvantage […] [and] through cost avoidance’ (IEIAC 2023: 11).

Social investment

Labor’s budgetary focus signals a fiscal strategy. Following the Nordic precedent, social spending is being reimagined as social investment (Hemerijck 2015). Wellbeing budgets promise to broaden how we measure economic success while actuarial models allow governments to identify (and account for) fiscal gains generated by egalitarian social programs. Yet, it remains a strangely econometric conception. It is as much a product of efforts to create new social markets, such as the stalled roll-out of Social Impact Bonds (see: Bryan and Rafferty 2014), as it is a form of social democracy. Even confined to the public sector, natural science models of evaluation risk framing vulnerable communities and citizens as lab rats rather than agents.

Again, the most promising efforts towards a social investment model connect to movement struggles that challenge how we value care and connection. Just as feminist economists have partnered with unions to successfully revalue care labour, First Nations communities are claiming

Indigenous Data Sovereignty to assert control over policy evaluation and public spending (Walter *et al.* 2021). Those strategies partly underpin campaigns for justice reinvestment, supported by state and federal Labor governments, which posits that self-determination will not only lower imprisonment, but also the fiscal costs of incarceration (KPMG 2018).

Towards a new politics?

Successfully raising social policy expectations clearly requires more than innovative accounting models. It needs a real organised politics. Previous policy success points to an emerging politics of welfare. That politics combines industrial and political organising. Revaluing paid care labour sits at its core, advanced by what are now the largest and most powerful trade unions in health, education and care. Those claims advance industrially, through equal pay claims, challenges to wage caps and new industrial laws. But success also reflects political coalitions that unite the interests of workers and service users and centre access to quality care as electoral concerns, especially for women. These electoral coalitions have the power to weaken fiscal constraints and fragment conservative constituencies (Spies-Butcher 2023).

A complementary politics is potentially emerging around other elements of social reproduction: housing and climate. In response to the financialisaton of land and nature, a generational politics has begun to emerge. Renters have been mobilised as a constituency that overlaps those most concerned and impacted by a changing climate. And, while generational accounting may emphasise young people’s interests in tax minimisation, recent political campaigns centre their interest in socialising risk, securing rights and expanding public provision.

The composition of the parliament may offer opportunities to coordinate progressive interests and ideas. The pluralisation of representation in the parliament allows for a distinction between the fiscal responsibilities of government and the agenda setting capacities of challenger parties. Labor, the Greens and Teals are also able to tailor messages to somewhat different constituencies, broadening support and fracturing conservative opposition, while cooperating within parliament. There are clearly risks in navigating the competitive tensions between the different parliamentary players, but pluralisation can allow differences to be tolerated without destabilising governance by avoiding Labor’s long history of splits.

The housing debate is instructive. Rarely has a progressive government increased spending on the poorest households by $3 billion without a fiscal outcry. Yet, the competitive dynamics that produced this outcome did so without any serious threat to the government's stability. Creating a 'left flank' within parliament can potentially shift the centre of policy gravity. Combining these strategies – organising and mobilising interests to raise expectations, while working cooperatively with the more technical budget strategies of those in charge of state finance – remains some distance from fruition. But there are signs of a more optimistic politics emerging.

Ben Spies-Butcher is Associate Professor in Economy and Society in the Macquarie School of Social Sciences at Macquarie University.

ben.spies-butcher@mq.edu.au

References

Albanese, A. (2019) 'Jobs and the future of work: Vision Statement 1', address to the Committee for Economic Development of Australia (CEDA), Perth, 29 October, available: *https://anthonyalbanese.com.au/vision-statements.*

Bell, S. and Hindmoor, A. (2014) 'The structural power of business and the power of ideas: The strange case of the Australian mining tax', *New Political Economy*, 19(3), pp. 470-86.

Bryan, D. and Rafferty, M. (2014) 'Financial derivatives as social policy beyond crisis', *Sociology*, 48(5), pp. 887-903.

Cass, B. and Brennan, D. (2003) 'Taxing women: The politics of gender in the tax/transfer system', *eJournal of Tax Research*, 1(1), pp. 37-63.

Davidson, P. (2022) 'A tale of two pandemics: COVID, inequality and poverty in 2020 and 2021', ACOSS/UNSW Sydney Poverty and Inequality Partnership, *Build Back Fairer Series, Report No. 3,* Sydney.

Hemerijck, A. (2015) 'The quiet paradigm revolution of social investment', *Social Politics: International Studies in Gender, State and Society*, 22(2), pp. 242-56.

Interim Economic Inclusion Advisory Committee (IEIAC) (2023) 'Interim Economic Inclusion Advisory Committee 2023–24 Report to Government', available: *https://ministers.treasury.gov.au/sites/ministers.treasury.gov.au/files/2023-04/eiac-report.pdf.*

Klapdor, M. (2022) 'Social security and family assistance', Parliamentary Library Briefing Book, available: *https://www.aph.gov.au/About_Parliament/Parliamentary_departments/Parliamentary_Library/pubs/BriefingBook47p/SocialSecurityFamilyAssistance.*

Klein, E., Cook, K., Maury, S., & Bowey, K. (2022) 'Understanding Covid-19 emergency social security measures as a form of basic income: Lessons from Australia', *Journal of Sociology*, 0(0), *https://doi.org/10.1177/14407833221106242*.

KPMG (2018) *Maranguka Justice Reinvestment Project: Impact Assessment.*

Meagher, G., Perche, D. and Stebbing, A. (2022) *Designing Social Service Markets: Risk, Regulation and Rent-Seeking,* Canberra: ANU Press.

Ramia, G. and Perrone, L. (2023) 'Crisis management, policy reform, and institutions: The social policy response to COVID-19 in Australia', *Social Policy and Society*, 22(3), pp. 562-76.

Spies-Butcher, B. (2023) *Politics, Inequality and the Australian Welfare State After Liberalisation*, London: Anthem Press.

Spies-Butcher, B. and Bryant, G. (2023) 'The history and future of the tax state: Possibilities for a new fiscal politics beyond neoliberalism', *Critical Perspectives on Accounting*, p. 102596.

Spies-Butcher, B. and Stebbing, A. (2019) 'Mobilising alternative futures: Generational accounting and the fiscal politics of ageing in Australia', *Ageing and Society*, 39(7), pp. 1409-35.

Stebbing, A. and Spies-Butcher, B. (2010) 'Universal welfare by "other means"? Social tax expenditures and the Australian dual welfare state', *Journal of Social Policy*, 39(4), pp. 585-606.

Stayner, T. (2022) 'Anthony Albanese defends JobSeeker stance, saying it would be too expensive to increase payments', *SBSNews*, April 13, available: *https://www.sbs.com.au/news/article/anthony-albanese-defends-jobseeker-stance-saying-it-would-be-too-expensive-to-increase-payment/9bmuezsn5.*

Surrey, S. (1973) *Pathways to Tax Reform: The Concept of Tax Expenditures*, Cambridge: Harvard University Press.

Thomas, M. and King, E. (2022) 'Housing measures: Budget Review October 2022/23', Parliamentary Library, Canberra. available: *https://www.aph.gov.au/About_Parliament/Parliamentary_departments/Parliamentary_Library/pubs/rp/BudgetReviewOctober202223/HousingMeasures.*

Treasury (2023a) 'Delivering cost-of-living relief', *Budget 2023-24*, available: *https://budget.gov.au/content/01-col-relief.htm.*

Treasury (2023b) 'Historic investment in Medicare', *Budget 2023-24*, available: *https://budget.gov.au/content/02-medicare.htm.*

Treasury (2023c) *Tax Expenditures and Insights Statement*, Commonwealth of Australia, Canberra.

Treasury (2023d) *Intergenerational Report 2023: Australia's Future to 2063*, Commonwealth of Australia, Canberra.

Tulip, P. (2020) *Planning restrictions hurt housing affordability*, Centre for Independent Studies Policy Paper, No.33, December.

Walter, M., Kukutai, T., Carroll, S.R. and Rodriguez-Lonebear, D. (2021) *Indigenous Data Sovereignty and Policy*, New York: Routledge.