

1. Introduction

What this book is about

Topics

This book opens a series analysing Australian economy and society, emphasising changes over time, comparisons between social groups, and comparisons to other nations. We present our findings in a clear, concise and, we hope, readable style. However, the results underpinning our findings are authoritative: reflecting rigorous, quantitative analyses by ourselves and other established academics, peer reviewed, and based on our large, representative national sample surveys of Australia and other nations.

This first volume concerns education, work, and welfare in Australia over the last decades of the 20th century – topics that might be called “economic sociology”, or “social economics”, or “public policy”. We begin with education, children’s “work” of acquiring skills they will use to earn their living as adults. Next we explore the nature of work, the evolution of industrial relations, and the links between work, public policy, welfare, and politics. Our analyses of these different topics are unified by common themes that run through the different topics, by a common methodological strategy, and by a shared source of survey evidence.

This is a huge agenda, much too large to cover comprehensively. What we aim at instead is to investigate specific topics that cast light on the big picture, building up a comprehensive assessment in the style of a mosaic over the course of several volumes. We pursue three themes.

Theme 1: Social differences

How are Australians alike? What experiences and orientations are equally found throughout society, common to the toiling farmer blasted by the sun and to the secretary struggling with a new computer in an air conditioned office; common to the atheist for whom a rainbow reveals the heartless, if amazing, working of the laws of physics and to a devout Christian to whom the rainbow embodies a promise of mercy and divine kindness; common to the housewife working to make her home a haven in a harsh world and to the unemployed surfer who takes care of none but himself; common to the exhilarated manager planning next years’ expansions of his prospering branch and to the downcast administrator in a downsizing firm, waiting for the axe to fall; common to young adults finishing their education, wondering if there will be enough work for them, and to prime age adults working in greedy institutions with boundless appetites for their work?

How are Australians different? What range of experiences and orientations is there – to what degree do age, gender, social class, ethnic origins, and the like lead others to treat us differently or lead us to prefer or value different things? And does it matter? Does diversity lead to irreconcilable social conflicts because envy and spite

and distrust thrive upon evident differences, or does diversity lead to a more harmonious society because people are happier when they are not forced into ways of life uncongenial to them?

Theme 2: Changes over time

How has this changed over time? The postwar period has seen two major trends.

1. First, a strong trend towards uniformity and standardisation in the early postwar period, with widespread homogenisation associated with the long economic boom, high taxation, and an isolated manufacturing industry protected by high tariffs. Government wage-setting was shielded from international pressures, enabling “invisible welfare” by setting relatively high pay for ordinary jobs, and relatively low pay for highly skilled work. “Mateship” – a collegial relationship among equals – was acclaimed, and “cutting down the tall poppies” evident. The end of regulatory attempts to exclude married women from the workforce made women’s economic prospects more like men’s. Secure jobs were widely available. Then the economy began to slow in the 1970s. By the 1980s many leaders on both sides of politics were convinced that it was time to open Australia’s economy to the wider world, that the opportunities for economic growth were worth the hazards of competition.
2. In the second phase of the postwar period, tariff barriers tumbled, leading to lower prices for consumers, and forcing uncompetitive Australian industries to reform, transform, or die. The economy has been fuelled by the rapid growth of knowledge industries and strong demand for Australia’s traditional agricultural and mineral exports. Deregulation of the labour market has proceeded apace. However, all this has recently stimulated concerns that differentiation has gone too far, and that social conflict is growing.

Although these general contours of change are well known, their specific features, the magnitude of their impacts, and their links to other social changes are only beginning to be assessed.

Theme 3: International comparisons

We will often compare Australia to other societies, drawing on survey data from many societies. Only by such comparisons can we tell:

- What is unique to Australia, and so likely to be explained by Australia’s unique history, circumstances and institutions.
- What is common to English-speaking nations, and so likely to be explained by their common culture and similar economic institutions. Or, alternatively, what is common to long-established democracies; or to new nations; or to corporatist, consensus-seeking nations.
- What is common to many societies, and so likely to be explained by features common to all.

We will see that in many ways Australia is similar to other nations, especially Britain, Canada, and the United States. But in many other ways it is not.

What evidence do we present?

Surveys of large representative national samples

Throughout, we use information garnered from thousands of people through surveys of large, representative national samples of citizens throughout Australia and other nations. Most of our data are from three sources (described in detail in the Appendix):

- The *International Social Science Surveys/Australia*, which we direct. The IsssA regularly collects extensive and detailed survey data on large, representative national samples of Australians, beginning in 1984 and repeated most years since then. There are now over 22,000 cases and many hundreds of variables (not all asked in every survey, of course).
- The *International Social Survey Program*, an international project which we co-founded in 1984. It conducts annual surveys on a more limited range of topics, using strictly comparable questionnaires, from representative national samples in more than 25 nations. There are typically 1000 to 1500 cases in each nation.
- The *International Survey of Economic Attitudes*, a cooperative project we co-founded in the 1990s which conducts extensive surveys, with more than 400 questions, on inequality and the economy. It is conducted from time to time, so far in five nations.

Some of our analyses report data from a single survey, typically with 1500 to 2000 cases. More combine data from several surveys at different points in time, or in different nations. And for a few topics, we are able to combine data from all these surveys, giving a pooled sample of over 50,000 cases.

Representative national samples such as these are the only method that provides sound generalisations to the population as a whole. Combined with modern techniques for measuring attitudes and behaviour using carefully developed, rigorously tested, multiple-item scales, survey researchers are now in a position to offer scientifically sound generalisations about the attitudes and behaviour of the nation as a whole. Such methods are difficult, expensive, and time-consuming. But the quality of the information that can be gleaned from large, well-designed, rigorously analysed surveys is unsurpassed: they are the gold standard of social research.¹

The development of these modern techniques means that one need no longer rely on traditional methods such as inferring public opinion from the number of persons

1 While the firm statistical basis for survey sampling is the only known scientifically sound technique enabling us to elicit information from a relatively small number of persons and to generalise from that to the nation as a whole, the generalisation of course includes a range bounding the true answer. For example, we might find that Australians on average have completed 11.6 years of education, but it is in the nature of random sampling that samples are variable, so the true national average for years of education might be a little higher or a little lower, the amount of imprecision depending on the nature of the sample, and the sample size. Basically, the bigger the sample, the more precise the estimates. That is why we often pool surveys in this book, and is also why we are able to detect effects that smaller surveys are not able to detect – in small surveys the range of reasonable values for an effect will often be so wide that it includes zero even though the effect is really there. More formally, we can say that most statistical tests are not very powerful (that is, are not able to detect differences smaller than a low-yield nuclear explosion) in small samples. Larger samples are more expensive to collect, but the harvest of enhanced precision is well worth the extra investment.

showing up in demonstrations, or from letters written to newspapers, or from telephone calls to radio talk back shows. These are unreliable, and often misleading, as indicators of public opinion. In a survey, the “silent majority” get their say too, not just the vocal minority. Representative national samples also make the “tea-leaf-reading” style inferences from focus groups and observational research obsolete. Such research remains valuable for formulating hypotheses, and for help in developing systematic questionnaires, but there is no assurance that generalisations drawn from them apply to the whole community.

Cross-national comparisons

Cross-national comparisons are often vital to understanding what is happening in Australia. For example, Australian governments are concerned at the increasing tendency for middle-aged men to leave the labour force, with the prospect that they will depend on the publicly financed disability and age pensions for the next 30 or 40 years. That prospect is also alarming from the standpoint of young families struggling to raise their own children, as well as to support the newly leisured seniors out of their taxes. But international data show that Australian men are actually among the most diligent in the industrialised world! That means the pattern of early retirement is probably going to be hard to change. It probably arises from something common to many developed societies – possibly growing prosperity – rather than arising from some easily changed policy mistakes by the Australian Government.

In this book we offer extensive cross-national comparisons based on data from the *International Social Survey Programme* and the *International Survey of Economic Attitudes*.

Rigorous statistical analyses

Statistical analyses enable us to summarise mountains of information compactly and insightfully. To be sure, reading statistical graphs and tables takes some getting used to, and can be slow going. But compared to the alternatives, statistical analyses have at least three great advantages:

- **Statistics save time.** Some of our studies, for example, are based on information from more than 20,000 people. If we wrote them up one by one, limiting each person’s experience to half a page, that would come to over 33 volumes of 300 pages each, which would take you more than a month to read, providing that you read an entire volume every day. A statistical summary of the information saves you not hours, but weeks!
- **Statistics are accurate.** Even if you have the time and inclination to read data in full, the impressions you get from them at the end are likely to be wrong: the weird and the familiar take up unrealistically large territories on our mental maps. At one extreme, one’s attention is riveted by extreme or shocking behaviour; at the other, one tends to generalise from one’s own familiar, inevitably limited, social circle. Crucially, the summary information the statistics provide will be on target, whereas the natural assaying processes of your own mind unaided by statistics are much less reliable.

- **Statistics are insightful.** Statistics have another great virtue: they can assess the separate effects of different social forces, so you can find out what is important and what is not. For example, the children of highly educated parents tend also to go far in school themselves. But why? Is it because educated parents have higher incomes and so can provide their children with home computers, buy extra tutoring, and so on? Or is it because educated parents gravitate towards big cities, and education is more readily available there? Or because educated parents are more aware of how important education is to success in life, and so insist on regular habits of homework? Or is it because educated parents love to read, and instil the reading habit in their children?² Answers to these questions are crucial, both to understand what is happening, and for public policy.³ The best way to sort out these questions is to get an excellent dataset with measures of all the relevant variables, and then to use multivariate statistics to separate out the pure effects of each of the posited causes. Multivariate statistics are filters – just as we want to separate the noise from the voice on the telephone, or the gold from the dross at a mine, so in social science we use multivariate statistics to view the distinct impact of a variety of potentially important factors. In the text when we say “all else equal”, we are talking about the pure effects discovered through multivariate analysis.

The research in this book therefore relies heavily on multivariate analysis. The methods used are state-of-the-art. They are thoroughly peer reviewed as well: almost every chapter is derived from a research article published in a peer-reviewed journal – one in the world’s leading sociology journal, the *American Sociological Review*.⁴ Details on the methods and models are in the technical notes to each chapter and in the Appendix.

Topic 1: Education

The Australian educational system traditionally provided children with a high-quality education, but not much of it. Over the first half of the postwar period, the key exit point from school moved from the end of Year 8 to the end of Year 10. School was often followed by officially recognised apprenticeships in semiskilled and skilled manual occupations for boys, while girls often went directly to work in sales or service occupations or trained in private “business colleges” for clerical occupations. International surveys of educational achievement indicate that the quality of

2 One could have a lively discussion about this with a group of friends defending different views about what the true cause is, with clever logic and selected examples bolstering their preconceived point of view. But the evidence presented is unlikely to be representative, and the “winning” of one point of view over will depend too heavily on the skills and theatrical abilities of the protagonists. It is not a bad strategy when there is limited information, as in a court trial, but is far inferior to other strategies when abundant, high-quality information is available, as is the case for education.

3 If, for example, money is the key, then we might be able to cure the educational disadvantage of poor children by providing money. But if the problem is that they live in rural areas, then money in the city will not help; rather, we need to build more schools in the bush. Or if the problem is that their parents do not realise how important education is, we need to persuade the parents of education’s importance.

4 “Class and class conflict in six Western nations.” *American Sociological Review* 1995 60: 157-78.

Australian education declined at both primary and secondary school in the later post-war period, at the same time as more and more young people were persisting further in education.

Is education a waste of time?

Were they wasting their time? One might think so, since secondary school completion rates declined somewhat in the 1990s (after peaking at 77 per cent in 1992). Were employers simply examining education as a kind of filter – sorting children according to their abilities and character? Or does education provide skills that are genuinely useful in the workplace? To find out, we asked working people directly how much education would be required to perform their job to a high standard, and linked their answers to their own education. We found that very few workers think that education is irrelevant to their jobs, and, moreover, that most workers feel that their education is well-utilised in their jobs (Chapter 2). This holds throughout the educational and occupational hierarchy, except among people whose education ended with Year 12. Thus, for example, 70 per cent of semiskilled workers say it takes less than Year 9 or 10 in school to do their job well, while 89 per cent of professionals see university education as necessary to their work. This suggests that skills learnt at school and university are directly useful on the job, although the non-university-oriented streams of upper secondary school have in many cases failed to confer skills that employers value.

Why are educational levels rising?

Educational levels are rising: on average, people born in the 1960s and 1970s have about two and one half years more education than did people born before 1930; the percentage completing secondary school has risen from 22 per cent to 55 per cent, and the percentage of university graduates has risen from 6 per cent to 21 per cent.⁵ Why such large changes?

All in all, we estimate that economic growth accounts for a quarter to a half of these increases (Chapter 3). That has involved a “virtuous feedback” in which education and economic growth keep boosting each other. In contrast, changes in urbanisation and family size are not important.

Moreover, in examining educational trends one should take note that education no longer ends at the schoolhouse (or university) door. Adult course-taking to learn new skills for work and leisure is very widespread in Australia (Chapter 7). For example 65 per cent of the workforce took a job-related course in 1999.

The generally good fit between education obtained and education required suggests that the link between getting education and getting good jobs is through the skills imparted by education, not through favouritism, nepotism, discrimination or the like. This kind of selection seems unlikely to spawn social conflict, unless differences in educational outcomes themselves come about unfairly. That makes the issue of fair chances for a good education crucial.

5 See the snapshots just before Chapter 3.

Do parents' literary or cultural tastes matter for their children's education?

One possibility of unfairness is, surprisingly, the parents' cultural tastes and preferences. Much research has shown that high ranking families endow their children with enduring advantages, advantages that lead the children to go far in school and university, to acquire good jobs themselves, and as a consequence to enjoy high incomes and a cultured life style like that of their parents. A surprising and important line of research suggests that parents' participation in "high culture" – the arts, music, and literature – confers distinctive advantages on their children, advantages above and beyond those stemming from the parents' education, wealth, and status. This advantage might come about unfairly (as many believe it does), perhaps because school teachers recognise that a cultured child comes from an elite home and treat such children better than children from ordinary homes. Or it might be that children from cultured homes perform better in school, and so (fairly) are more successful. Our analysis shows that children from cultured homes in Australia do have a large advantage in school (Chapter 5). But it is not arts and music that matter, but books and reading: literary culture matters, not *beaux-arts*. And it matters (quite fairly) because children from literary families perform better in school.

Do students in private schools do better than students in government schools?

The diversity of the Australian educational system is also an issue. The system involves a large but shrinking majority of government schools, a substantial, stable minority of Catholic schools, and a small but rapidly growing group of non-Catholic private schools. Of Australian adults today, about 76 per cent attended government schools, about 16 per cent attended Catholic schools, and about 8 per cent attended non-Catholic private schools (Chapter 6). Those who attended non-Catholic private schools do better educationally than others, completing nearly two additional years of school, on average. Key questions are whether this represents a social class advantage, or whether the private schools provide value added, and the answer is "a bit of both". Statistical analysis shows that about half of the observed extra education comes about because of the more educated parents, more stable families, and other advantages of private school students. But half comes about as value added by the school. The fact that private schools confer an advantage above and beyond the advantages their students bring means that government schools have something to learn from private schools; even with their less advantaged student pool, they could draw students further through the educational system by emulating the private schools.

Another homogeneity issue has to do with gender. In Australia, throughout the 20th century, the educational opportunities for boys and girls have not been very different. But boys had slightly higher rates of secondary school and university completion in the early postwar period. Then, in the early 1970s, girls first converged to the boys' level of secondary school completion and then slightly surpassed it. The crossover in tertiary education occurred in the middle 1980s and remains usually small, but rather variable in size. This is an area in which homogeneity has been

largely maintained or increased – the life worlds of men and women are very similar in the amount of education they obtain.⁶

Does mothers' employment matter to their children's education?

The ways of life of men and women have become more similar as married women's labour force participation has risen. What does this portend for the children? In general, the mother's employment, at least in the part-time range, does not harm children's education but neither does it – nor the income gain from her employment – benefit the children's education (Chapter 4). There is one exception to the pattern of “no effect” of mothers' employment on children's education: children of highly educated employed mothers are not, on average, as successful in education as one would expect. The fact that the deficit occurs among the children of highly educated employed women, but not among the children of less educated employed women, suggests that the difficulty is not employment per se, but rather the calibre of childcare compared to the cognitive stimulation available from the mother.⁷

The broader social consequence is a homogenising one: maternal employment undercuts the normal advantage of having highly educated parents. But this is a perverse way to achieve equality of opportunity. Better would be to improve the standards of childcare, which would help the shortest poppies grow taller rather than cutting down the tall poppies.

What do Australians think of their universities?

Universities always present a somewhat difficult point in assessing homogeneity and differentiation, because of the diversity of their tasks. Governments look to (and fund) universities because of their roles as instillers of skills in the top echelon of workers; as producers of research ultimately fuelling economic growth; and as custodians of the nation's cultural heritage. But public confidence in universities is driven by their role in teaching undergraduates (Chapter 8). Confidence in universities has held steady across the last two decades of the 20th century, a time that has seen them transformed from elite to mass institutions, transformed from exclusive financial dependence on government to increasing reliance on students and industry. This same period has seen sharp declines in public confidence in many other institutions, but universities seem to have survived relatively unscathed.

Topic 2: Employment

After finishing their education, almost all Australians enter the labour force, mostly in full-time employment (Chapter 9). For men, full-time employment then generally continues without interruption until retirement. For women, employment generally continues after marriage (unlike the usual pattern a few generations ago) but then drops sharply when the first child is born and rises slowly, in complex and changing patterns, as the children grow older, enter school, and eventually reach adulthood. For

6 See the snapshots just before Chapter 6.

7 Among today's adults maternal employment was rare. Virtually no-one in our very large samples had a mother employed full-time throughout their childhood. Indeed, part-time employment throughout childhood is the most intense employment highly represented in our sample.

both men and women, workforce participation peaks in the forties. It then declines sharply for women. For men, peak participation holds into the early fifties, followed by steep decline. In all, Australian women work for pay a little less than women in most other industrialised nations, but Australian men work more.

What kind of work do Australians do?

Jobs in agriculture and in manufacturing have steadily decreased, while jobs in service industries have steadily grown. This is true not only in Australia but in many other nations.⁸ This long, slow increase reaches back into the 1960s and probably has nothing to do with marketisation, tariff reforms, or other government policies adopted in recent years. This increasing concentration in services is one force homogenising Australian life: the amazing oneness of eye and hand that characterises skilled manual work, the relentless patience that carves a thriving farm out of a wasteland – their adepts are dwindling bands. Of course, there is great, possibly increasing, diversity of work within the service sector, but that is diversity within one style of life.

The people who are working today, for the most part work in complex tasks (Chapter 10). Early factories opened jobs to unskilled farm workers by breaking complex procedures of craft production into their simple component tasks. But, since then, much routine and repetitive work has been automated, and the education of the workforce and the technology of production have increased in tandem. This may be one reason that most education seems to be well utilised in the workplace (Chapter 2). Moreover, the typical work careers involve substantial gains in complexity, even for those with little education: it seems that job experience enhances the wisdom and foresight that fit workers for increasingly complex jobs. One concern about marketisation has been that it would polarise the workforce, richly rewarding the highly skilled and those who happen to be in the right place at the right time, but debasing and degrading people whose capacity or situation impedes them from seizing the new opportunities. But the data on complexity of work do not, to date, support this view: there is no sign that the challenging winds of globalisation are leaving an underclass of Australians stalled in dead-end jobs.⁹

How much is job security worth to employees?

By contrast, job security declined sharply between the late 1980s (when about 73 per cent had secure jobs) and the middle 1990s (when 56 per cent had secure jobs), before rebounding to 66 per cent in 2001 (Chapter 11). The loss of job security represented a major loss to workers – to be as contented as a worker in a secure job on \$10 per hour, an insecure worker would need to be paid just over \$14 per hour, on average. That helps explain why the strong economic growth of the 1990s did not draw universal acclaim from workers: the gains in their pay packets have not compensated many of them for the loss of security.

Importantly, there is a great deal of diversity among Australians in how much they value security. This diversity means that there is no universally optimum balance

8 See the snapshot just before Chapter 12.

9 It is not known whether the declines in men's workforce participation in their fifties and early sixties (Chapter 9) are a retreat from the workforce by men vanquished by real or imagined incapacity to deal with increasingly complex jobs. But it seems unlikely.

between pay and security, that any “one-size-fits-all” contract will, in fact, not fit a large fraction of Australia’s working people. This is one place where the uniform contracts associated with the strong unions of the first half of the postwar period clearly did not provide the best outcomes. Whether the flexibility that marketisation is supposed to bring will actually appear as a diversity of employment contracts offering a variety of mixes of pay and security remains to be seen.

Downsizing: Which jobs are lost and with what consequences?

Downsizing – shedding staff – was an epidemic of the 1990s: 62 per cent of private sector organisations downsized in 1997-98 (Chapter 12). Indeed, nearly 30 per cent of the workforce were in shrinking organisations at the peak of the frenzy in 1995. More recently, downsizing is waning with 22 per cent of the workforce in downsizing firms in 2000 and 19 per cent in 2001. Moreover, downsizing not only affects the workers shed by downsizing organisations, but also undermines morale among the “survivors” who remain in downsizing organisations. Indeed, the prevalence of downsizing may be one source of increased job insecurity even among workers whose firms are not (yet?) downsizing.

Topic 3: Industrial relations

Issues concerning how work ought to be organised continue to be important ones in Australian politics, and there are some important changes over time.

Is joint bargaining between unions, employers, and government the best way to set wages and economic policy?

The popular will concerning industrial relations is not easy to read, with a large portion of the citizenry finding strong attractions in mutually contradictory arrangements – they feel that traditional corporatist arrangements involving unions, employers and the government have much to be said for them (Chapter 13). But they also see important attractions in local negotiations and even in individualised contracts. This may be because the public is profoundly ambivalent – or because the attitudes are in transition.

What do Australians think of trade unions?

In the 1980s Australian unions were among the least popular in the Western world. But since then, their popularity has increased dramatically (Chapter 14). Interestingly, the strongest bastion of trade-union support is not among factory workers, but among upper-level governmental employees. This suggests that the market does discipline employers to discourage exploitation, and that rigid bureaucratic job descriptions and formal procedures perform an equivalent function for lower level government jobs, but that government has developed no adequate equivalent of market forces to protect their higher-level employees – their innovators and entrepreneurs – from arbitrary power. Novelty and uncertainty will beset policy planners for the foreseeable future, so a priority for organisational design will be to develop industrial relations arrange-

ments that insulate top workers, enabling them to focus on their key tasks of searching for and responding to emerging trends.

Topic 4: Political economy

Is all this change tearing Australian society apart? Are we exhilarated master mariners thrilled by the winds of change and the new worlds of opportunities they bring to us, or does the prospect of differentiation and inequality so stimulate envy and spite that we tear up the sails and eat each other for supper? Does social cohesion have to be based on near-uniformity of living standards or are inequality and differentiation compatible with social harmony? And is all social conflict a bad thing? Such questions underlie the research in our section on political economy.

Does unemployment lead to social conflict?

Is the “fair go” threatened by the spectre of social exclusion? Australian unemployment rates, while not especially high by international standards, are persistently high compared to the Australian past and a substantial fraction of the unemployed have been out of work for a very long time.¹⁰ Do they feel envious or aggressive towards their employed peers? And do people with jobs resent paying high taxes to support the unemployed? Few Australians, under 10 per cent, see very strong conflicts between the unemployed and people with jobs (Chapter 15). The great majority see middling levels of conflict, with the main issue being whether conflict is towards the high side of middling, or the low side. Only a few see no conflicts at all. Australians and citizens of the other Anglo-Celtic countries perceive more conflict over unemployment than do other nations in the developed world. Interestingly, the actual level of unemployment is only weakly related to conflict over it and, somewhat unexpectedly, economic growth actually seems to exacerbate conflict over unemployment. Multivariate analysis reveals that macro and micro-level trends have been tugging in opposite directions: as nations grow richer over time – the usual pattern in this century – it seems that conflict increases as a consequence, but it also declines as populations grow more educated. So conflict over unemployment is still with us, but how much conflict remains is itself the outcome of conflicting trends associated with education and prosperity. The effect of national prosperity is quite robust, but quite unexpected, so it will require further exploration in the future. Perhaps, in a time of abundance, the ants feel they should not have to provide for the grasshoppers.

A middle class world?

A large majority of Australians see themselves as in the middle of the social hierarchy (Chapter 16); very few indeed see themselves as in the top drawer or the bottom echelon. This would seem to be an important force for social uniformity or homogeneity. Before hastening to boast that this must be the result of the uniquely egalitarian Australian way of life, note that this pattern of very large concentrations of people locating themselves in the middle classes is common throughout the 21 nations of the world for which we have data.

¹⁰ See the snapshot just before Chapter 15.

Importantly, in terms of the question of whether economic growth and marketisation are rending Australia's social fabric, there is no sign of polarisation in subjective social class over the past decade; there is a very gentle, steady upward shift, but no large growth at either extreme. Australians still see themselves as towards the centre of the social hierarchy, but a little higher in the middle than they did in the 1980s. If marketisation had produced social exclusion – enriching most of society, but abandoning a fairly large group – then we would have observed a rapidly growing group signalling their rejection by locating themselves at the (previously nearly empty) bottom of the ladder. Instead, the strong centrality of people's subjective social class holds right through the marketisation of the 1990s, the only notable change being a small upward trend within the central zone.

We think that the pervasive tendency to locate oneself in the middle classes comes about because people's social networks – their family and kin, their friends, their neighbours, their workmates, their customers, their supervisors, and their co-volunteers – tend to be drawn from the same walk of life as themselves. People then generalise from their centrality in their relatively homogeneous social networks to perceive themselves as centrally located in the society as a whole. The harsh reality of social stratification is not completely buffered by the homogeneity of social networks: actual class position has real and important effects on people's perceptions of their rank in the pecking order, but these effects seem to be muted by the habit of birds of a feather to flock together.

Why is there so little social conflict?

The strong tendency to perceive oneself as in the middle of the social hierarchy, in turn, has an important muting effect on social conflict (Chapter 16). People who see themselves as at the bottom of the ladder perceive much more class conflict than otherwise similar people who locate themselves in the middle classes. This effect of subjective social class on perceived conflict is much more important than the effect of actual social class. Both someone's subjective social class and someone's perception of class conflict directly shape their political orientation, even net of their objective characteristics. This suggests an equilibrating mechanism in democratic politics whereby if right-wing marketising policies generate too much class conflict, that will generate support for the left, leading, in turn, to homogenising policies that mute social conflict, ultimately thereby undermining support for the left, and so forth. But different countries may have different tolerance for conflict, as well as policy heritages that generate different levels of conflict: Australia and the other Anglo-Celtic countries perceive much higher levels of class conflict than do the Germanic countries with their pervasive welfare states and religiously oriented politics.

Thus, even though objective differences in education, occupation, authority, and business ownership differentiate people economically, this does not automatically polarise social classes or aggravate perceptions of social conflict. We have suggested that the homogeneity of social networks encourages people to think of themselves as in the middle of the social order. It may also be that when people locate themselves in the middle classes they mean, in part, that they are normal, engaged members of society who have experienced (and whose children will experience) broadly equal opportunities to succeed.

Do Australians prefer equal opportunities or equal outcomes?

The ideal of equal opportunity or a “fair go” is dear to Australians’ hearts: on a points-out-of-100 basis, Australians rate them a warm 85 on average, with virtually no dissenters giving them ratings below the neutral point of 50 (Chapter 17). In short, nearly everybody favours equal opportunities, the only question is how strongly they favour them. This ideal is very widely diffused throughout Australian society: early school leavers and university graduates alike warmly support equal opportunity, so do the rich and the poor, trade union members and non-members, and people of all employment statuses. Thus, uniformity or homogeneity of opportunity is essentially universally endorsed.

The natural outcome of equality of opportunity is inequality of outcome, since some will achieve more than others. But, in people’s minds, accepting equality of opportunity does not necessarily mean rejecting equality of outcome. Instead, views on the desirability of equal outcomes are more polarised. They elicit a very low rating of 31 points on average and most people are strongly against them. But a sizeable minority of people give ratings above the neutral point. Equal outcomes are much more socially divisive as well, with early school leavers being substantially keener on them than those who persist through secondary school or university, and those on low family incomes being keener than those on high family incomes. This has rather a flavour of envy about it, but that does not make it any the less potent. Indeed, support for equal outcomes has wide-ranging consequences on attitudes and policy preferences – it enhances support for trade unions, it fosters the desire for government ownership of industry, and it generates support for corporatist industrial relations. Thus, views on equal outcomes are potentially important because they are divisive, and because attitudes towards equal outcomes shape preferences concerning policies that are crucial to marketisation.

Does marketisation change people’s attitude to income inequality?

The past decades of economic growth and marketisation have probably increased income inequality in Australia, so it becomes important to know how the citizenry’s attitudes and values are responding to these changes. Has familiarity bred contempt, or is the experience of inequality breeding a taste for it? To find out, we looked both at Australia where there have been relatively minor changes, and at Poland where many of these same changes are writ large (Chapter 18). In the middle 1980s, Poles had ideals more egalitarian than any Western democracy: they thought that elite occupations should be paid about twice blue collar income. But, following the collapse of communism, their tolerance for inequality began to grow, not only during the honeymoon phase immediately after liberation, but continuing through the “economic shock therapy” phase. By the middle 1990s, the legitimacy of high earnings for elite occupations was in the range typical of the rich market-oriented democracies: the pay Poles thought ideal for elite occupations was over 3.6 times their ideal pay for blue collar jobs, a level of ideal inequality higher than Australia or Switzerland, about the same as Britain and the Netherlands, fractionally less than West Germany, and clearly less than the United States or Austria.

In Australia, the much more modest shift toward the free market seems to have had a parallel effect, making Australians slightly less egalitarian. Judging from the

parallel experiences of these two very different countries, economic reform seems, in time, to shift public opinion in favour of the moral acceptability of higher salaries for elite workers. This evidence suggests that concerns that marketisation would undermine morality are misplaced; morals may be changing, but they are not disappearing. It seems reasonable to interpret the growing legitimacy of high earnings for top occupations as suggesting that relative uniformity of earnings is not necessary to Australia's social cohesion, that marketisation seems to bring appreciation of differences in the value of different types of work – that differentiation of this sort can be woven into the social fabric, rather than tearing it.

Are tariff barriers to protect Australian industry popular?

One of the key forces in economic reform is globalisation. The transition from Australia's old, enclosed, tightly regulated "fortress economy" towards a free market in which the forces of supply and demand determine prices has been accomplished, in part, through reduction in tariffs that kept low priced foreign goods out of the reach of Australian consumers. But, in contrast to increasing tolerance for inequality, the evidence suggests that on this dimension of marketisation, most Australian citizens continue to be dubious (Chapter 19). A large majority of Australians would support a policy limiting imports in order to protect the national economy, with only around one quarter in favour of free trade – economic theory and elite consensus to the contrary notwithstanding. Indeed, in international perspective, Australians are among the most protectionist of the developed nations, on this issue being significantly different from the other Anglo-Celtic countries (to whom they are similar on a remarkable range of other issues). This cannot be attributed to a generalised xenophobia, because Australians are middle-of-the-road on the issue of allowing foreigners to own land, and on the importance of being born in Australia to being a true Australian (Evans and Kelley 1998). Instead, it is clear that globalisation has not yet won the hearts and minds of Australians.¹¹

Continued popular opposition to tariff reduction raises questions on the scope of public policy in shaping public opinion. For example, marketisation seems to have shaped opinions about the topic of legitimacy of high salaries for elite occupations, but not about opening Australian markets to foreign competition.

What do Australians think of genetically engineered food?

Another important issue for Australia's future concerns genetic engineering and its commercial potential. This is important for political economy because it involves Faustian questions about whether there should be limits to human inquiry; global economic questions about which agricultural competitors will be reducing their prices by using genetically modified crops and about which consumers will embrace and which will reject genetically engineered products; and consumers' rights questions concerning labelling. Australians, in general, take a positive attitude towards genetically modified medicines and crops, contingent upon their being labelled (Chapter 20). Public demand for labelling has actually been increasing over the 1990s, reaching

¹¹ Whether this is because of inept communication by elites concerning globalisation's advantages, or whether there is a more elemental concern in the citizenry with the erosion of national sovereignty and an enduring conviction that this is a bad thing, is an important question for future research.

97 per cent by 2001. So a demand for labelling of genetically modified food and medicine is one of the most universal policy preferences in Australian society.

Note that labelling does not mean opposition. If, for example, genetically engineered tomatoes are clearly labelled at the supermarket, a majority of Australians, 52 per cent, think they are a “good” or “very good” idea; 29 per cent have mixed feelings; and 19 per cent think they are a “bad” or “very bad” idea. But if the tomatoes are not labelled, the percentage thinking they are a good idea plunges from 52 per cent to 5 per cent. Thus, Australians are not taking the Luddite position of the Europeans, but neither are they rushing carelessly into uncharted territory. They are open to the new, but want to choose for themselves whether or not to experience it.¹² At the same time it is noteworthy that Australians’ support for genetic engineering has declined over the 1990s, perhaps in response to perceived elite intransigence over the labelling issue.

Topic 5: Health and welfare

Some of the themes of individual versus collective responsibility that are important at work, and in forming attitudes towards trade or the unemployed, are also important in health care.

Risky lifestyles: Who is to blame and who is to pay?

We begin by examining Australians’ attitudes towards diseases that stem from risky, but conventional lifestyles: lung cancer, cirrhosis of the liver, heart attacks (Chapter 21). The citizenry places responsibility for these diseases squarely on the sufferers. Interestingly, that does not mean a lack of sympathy, rather, Australians vary considerably in how much pity they feel for people who get lifestyle-related diseases, and many both hold them responsible and feel sorry for them.

Does the public think the individual should pay for medical care for these diseases, or should the taxpayers pay? The answer is a bit of both, with the balance tipped towards individual responsibility.¹³

Multivariate analysis shows that Australians’ feelings of sympathy and blame pull them in somewhat different directions. By far the strongest current is sympathy’s pull towards governmental financial responsibility. But blame, which is even more widespread than sympathy, has a strong pull in the opposite direction, towards individual responsibility. These mixed feelings lead to a mixed ideal which is neither

12 This is another place where elites could go badly wrong. Some policy-makers have held that because evaluation studies have not found harmful effects of genetically modified foods and medicines on their consumers, these foods do not require labelling. But that is to miss the point. Australians are accustomed to lists of ingredients on foods, some scrutinise those lists in choosing products, and they want to be able to choose about the genetically modified foods, too. Because these views on the importance of labelling have actually been strengthening over the past decade, it is possible that governments’ attempts to lead public opinion away from labelling will backfire, leading people to ask “What have they got to hide?!” and to turn against the entire enterprise.

13 This may help explain why the government’s push towards “private” health insurance shaped by regulation that bans insurance companies from taking individual characteristics into account in pricing insurance has been unenthusiastically received: welfare by any other name smells no sweeter to the consumer whose morals emphasise substantial individual responsibility.

socialism nor individualism, but combines elements of both.¹⁴ There is diversity of ideals on the balance between individual and collective financial responsibility, and a wide range of feelings of sympathy and blame. But it is noteworthy that these attitudes do not bear any relation to social stratification; increasing income inequality seems to be unrelated to attitudes concerning self-induced illness, and unrelated to willingness to pay for the medical care it entails.

Who is starting to smoke and who is quitting?

Social stratification is importantly, and increasingly, related to some of the conventional risky lifestyles (Chapter 22). In particular, smoking used to be sharply differentiated by gender, and little differentiated by class: men, both grand and lowly, did it more, and women from all walks of life were much less likely to take up smoking. But over the past couple of decades, early school-leaver girls have hurried to take up smoking, and boys on their way to university have increasingly avoided smoking. The net effect is that working class boys and girls today are hugely more likely to start smoking than are their university-bound peers, and the gender difference within social classes has nearly disappeared. Fortunately, large majorities of smokers eventually quit. If they did not, these lifestyle choices would be making for the largest class differences in mortality that Australia had ever seen.

Is having a pet good for your health?

By contrast, some other lifestyle choices appear to have positive consequences for health. In particular, dog and cat ownership, presumably undertaken for companionship and pleasure, appears to enhance health (Chapter 23). This is a result that should be pondered by the many local governments which have taken an increasingly anti-pet stance in recent years.

How much does it cost to raise children?

Perhaps the greatest change in lifestyle, or at least the most sudden one, for most Australians is the onset of parenthood (Chapter 24). Part of that involves budget-shock: to maintain their pre-parenthood standard of living after the arrival of the first child, parents would need to increase their income by about 20 per cent. Subsequent children are less expensive, mainly because the large investments in housing that tend to come with the first child can be shared. Interestingly, children seem to substitute for the thrills of risky lifestyles, for reductions in expenditures on alcohol and tobacco are associated with parenthood. The chapter also takes a calm factual look at how much income would be needed to maintain parents and children at their prior standard of living following divorce; from a financial point of view, divorce is madness.

14 In considering reform of the medical care system, it is worth noting that these preferences would seem to mesh rather well with proposals for tax-privileged individual health “savings accounts” backed by public purse payments for disastrous or extraordinary costs.

Topic 6: Retirement

At the end of the working span, age 65 was once a milestone, and those who reached it could anticipate only a few twilight years before death. But now, 65 year olds are middle aged in health and vigour, and can look forward to several decades more of life.

Why do people retire at such an early age?

Even though Australians are living longer than ever before, and are healthier than ever before, they are – perversely – retiring earlier. According to our latest estimates, less than half of men and about one quarter of women in their early sixties remain in the work force (Chapter 25). Thus, for many men work occupies just 35 to 40 years of an 80 year life span, while for women paid work occupies rather fewer years of a somewhat longer life span.

If people saved to support themselves and to contribute to their medical costs, then working or retiring would be largely a matter of taste, and “nobody’s business but their own”. But, in fact, receipt of the age pension is very widespread among those aged 65 and over, “disability pensions” facilitate pre-65 exit from the workforce, and no savings for medical care are required. These subsidies represent a massive redistribution from tax-paying young families who are at the stage of maximum income needs – rearing children and paying off homes – to an increasingly large leisured group of people in middle age and old age. This has rather crept up on Australia, an unintended consequence of policies originally designed to provide a (brief) dignified exit. Hard decisions now need to be taken about whether Australia wishes to emulate the elegiac gerontocracies of Europe or wishes to require more individual responsibility for old-age income.

Many would-be reformers have attributed the drain of hale and hearty middle aged Australians from the workforce to specific misguided policies that encourage early exit, splurge of savings, and dependence on the public purse. But actually, Australians’ work patterns are quite ordinary for a rich country: at most ages, Australian women work a little less, and Australian men a little more than their peers in other developed countries. This may mean that early exit is linked to deeper causes, and will not be so easy to reverse by reducing the generosity of the public purse towards people who leave the workforce in middle age.¹⁵

To the extent that retirees become a privileged group, drawing on the public purse and looking narrowly to their own financial interests – as in some of the gerontocracies of Europe, or as advocated by some “grey power” groups – early retirement becomes a force straining the social fabric. The issue of who should pay continues to be a politically vexed one.

What form of old age provision do people think right?

Superannuation remains unpopular, with large majorities favouring other forms of investment. To what degree this is an issue of choice, with people disliking super-

15 On the other hand, it may be that the advanced countries have all overdone policies that redistribute income from working people in their thirties and forties to non-working people in their fifties and sixties, and that declining to provide income to middle aged people would encourage them to earn it themselves.

annuation because they feel they have not much control over it, and to what degree it is an issue of the changing value of money as we age – people correctly perceiving that the money would do them more good in the present while they are raising their families than in the future when their families have grown and they derive less pleasure and comfort from spending – is an important issue for future research. Moral feelings concerning superannuation have not yet adapted to savings as a form of deferred compensation. Instead, people continue to feel that the government, employers, and workers should each contribute to superannuation.

Australia's current welfare-style program that provides a stipend regardless of prior tax contributions to all those in late middle age and old age whose incomes and assets (excepting housing) fall below a certain threshold is by no means the most popular program (Chapter 26). Instead, the highest ratings are drawn by a universal age pension with no means testing or income cut-off. There are few social differences in support for the different programs. One might have expected self-interest to spur prosperous folk in top occupations to favour self-provision and to encourage those eking out a living in lowly jobs to favour the welfare-style program, but in fact, supporters of the different programs are drawn from throughout the social hierarchy.

Part of the difficulty in establishing financially sensible and democratically acceptable programs for old age income is that the Australian public is drawn in many different directions on this issue, seeing some attractions in completely contradictory policies. Indeed, every option we canvassed – ranging from completely self-funded retirement to a tax-payer funded universal age pension – had its adherents, and many people had positive feelings about a variety of programs. That makes this area a bit like the ideals concerning industrial relations: public opinion is strongly pulled in different directions simultaneously; no policy in either domain has yet captured Australians' hearts and minds. Nor is there an ongoing conflict with enduring proponents. Thus, retirement seems likely to be the longest stage of life for many, but there is as yet no social consensus on financial responsibility for it.

What do people think about superannuation?

To encourage self-funded retirement, Australian governments over the past couple of decades have introduced and expanded compulsory, tax-advantaged savings programs, "Superannuation", for working people (Chapter 27). This was a radical change from the early postwar period in which governments discouraged personal savings by imposing taxation so high that if all the remaining interest was reinvested after tax was taken out, the actual value of one's savings would diminish over time, given normal rates of inflation over the period. And people were less educated and the shares market highly regulated so few would have even considered investing in shares. In this context, it is perhaps not surprising that the new "superannuation" program was viewed with misgivings, being imposed on a generation that grew up under conditions in which saving was irrational. Also, the effectiveness of this program may have been undermined by provisions that enable middle-aged people to collect all their superannuation as a lump sum, to spend it all in a great splash, and then to turn to the taxpayer-funded age pension for long-term support. But the reality may not be as bad as that sounds, because the spree often involves improving or paying off a home, and the prevalence of home ownership in Australia helps keep age pensions relatively small.