

Social Capital in Rural Australia

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In Australia, as in the rest of the industrialised world, social capital has been identified as a key element in rural regeneration. For example, the Prime Minister, John Howard, speaks openly of the need for a ‘social coalition’ between communities, governments and businesses that will build social cohesion and trust at community level. For two decades successive Australian governments have followed the world-wide trend in industrialised nations to devolve responsibility for social welfare programs to local areas and to non-government agencies, the stated rationale being to break down welfare dependency and to promote individual responsibility. The dismantling of the welfare state and the triumph of capitalism have been defining features of the Australian landscape in recent years.

Meanwhile globalising trends have had significant effects on Australian rural people. Rural populations have higher rates of aging and ill health and many rural areas are experiencing increasing levels of poverty and unemployment. It would appear that there has never been a more important time to increase social capital in rural areas.

However, government policies of devolution, privatisation and managerialism have been formulated with free market principles as the dominant determinant and with little apparent consideration of the effects on social capital. Services are being withdrawn in many rural areas and in others NGOs report being overloaded and underfunded. There is widespread acceptance of the view that Australian rural people are becoming more socially isolated and alienated.

This paper will examine social capital in Australian rural areas. It will look at the need to match rhetoric with action and will discuss social policy initiatives that have impacted on the development of social capital.

Introduction

Social capital has been recognised as an important concept in the Australian context as in much of the industrialised world. Putnam (1993) describes social capital as the norms and networks at community level that create trust. Particularly in the rural sector, with escalating economic and social decline in recent times, the need to develop networks and trust at local levels is viewed as essential to regeneration and revitalisation. For example, the Prime Minister of Australia, John Howard, speaks openly about the need for a 'social coalition' to develop networks of support.

That is why the Government has fostered the notion of a social coalition. Put simply, it describes a partnership of individuals, families, business, government, welfare and charitable organisations, each contributing their unique resources and expertise to tackle disadvantage at its source. (The Australian, 22/12/99)

The need for such ideas as these has perhaps never been more urgent as much of rural Australia finds itself in serious economic and social decline. This paper examines social capital in the Australian context before addressing government policies of devolution of social welfare programs to non-government organisations and local levels. Finally, the paper argues why such policies have so far failed to build social capital to any significant degree at rural community level, in many cases further decimating communities. To set this work in context, a brief look at rural social indicators gives some dimension to the scale of rural disadvantage in Australia.

Rural Social Indicators

As a result of globalising forces, economic power in Australia has moved away from rural communities to state, national and international levels leaving rural Australia in crisis. Cheers (1998) in reviewing a number of indicators of disadvantage including income, living costs, housing, health, education and social problems, concludes that rural Australians are disadvantaged in relation to urban Australians. In a study of the distribution of social disadvantage in NSW, Vinson (1999) found that there were only two Sydney (capital city) locations in the top thirty most disadvantaged areas, the remainder being in the depressed manufacturing city of Newcastle (5) or non-metropolitan areas of NSW (23). In relation to poverty levels, rural and regional Australians earn on average 24% less than those in cities (Sydney Morning Herald, 6/8/99) and thirty-three of Australia's thirty-seven poorest electorates are in rural areas (Lawrence, 1995).

Additionally, rural Australians fair poorly on a number of health indicators. For example, they suffer higher rates of premature deaths, a greater likelihood of depression and other stress related illnesses, greater numbers of heart disease, strokes and respiratory disease (DPIE and CRSR, 1997). Yet, despite greater incidence of ill-health, there is a need for at least 500 more doctors in rural areas to service basic health needs (Harrison, 1997). The Deputy Prime Minister, John Anderson, from the Gwydir electorate in central

western NSW, has noted that the waiting time to see a doctor in his area is as long as two months.

Rural Australians also suffer educational disadvantage with the number of students completing high school significantly lower in rural Australia and the numbers of rural young people as a percentage of the overall number of students going on to tertiary studies declining from 25% to 16% between 1989 and 1996 (DPIE and CRSR, 1997; HREOC, 1998). Further, unemployment rates are higher in rural areas of Australia with some regions recording levels as high as 40% (DPIE and CRSR, 1997).

As decline and social disadvantage takes hold of rural Australia depopulation has escalated with up to 200 rural local government areas in Australia having lost population since the 1980s (KPMG, 1999). Because of the lack of jobs, health facilities and educational opportunities, many young people and families are leaving. Left behind is an aging population with predictions being that by the year 2026 one quarter of rural Australians will be over 65 (Sydney Morning Herald, 20/3/00).

The decline of rural Australia has led to feelings of alienation among rural people evidenced by a distrust of politicians and political parties and demonstrated in an electoral backlash that has seen the overthrow of state governments. Most recently the conservative Victorian state government of Jeff Kennett lost its rural support in the 1999 election and ultimately lost government. Rural people, a traditional conservative constituency, have served notice that their votes are not to be taken for granted.

Motivated by the volatility of the rural electorate, Australian politicians have expressed concern at the loss of economic power from rural areas and are committed to ideas of increasing social capital in order to restore and regenerate rural Australia. Before analysing the way these ideas have translated into policy, a discussion of social capital is in order to understand the way Australian commentators have interpreted the concept and its place in civil society.

Civil Society and Social Capital

Notions of what constitutes civil society have become prominent in the discourse of disadvantage during the 1990s in Australia. In presenting the prestigious 1995 Boyer lectures, social commentator Eva Cox interpreted civil society as involving social connections with political life, democratic processes and civic trust. Civil society is also defined as consisting of those institutions and organisations outside the government sphere (Latham, 1998) recognised as the third sector (Soesastro, 1999). Focus on civil society has come from a renewed interest in fostering and nurturing communities as much as from a desire to devolve welfare service delivery to the non-government or third sector.

Ideas of civil society have become important world-wide because of: the dismantling of the welfare state and the expansion of expectations of the non-government sector; the decline of social capital; the triumph of capitalism and the dominance of the free market; the effects of globalisation; and the erosion of national sovereignty (Soesastro 1999). As

these processes take hold, the importance of the third sector has been recognised as vitally important to a sustainable future for society in general and rural areas in particular.

While civil society includes the non-government organisations which sustain society, social capital has been termed ‘the raw material of civil society’ (Bullen and Onyx, 1998: 1). Australian commentators agree that key factors relating to social capital are participation in networks, reciprocity, trust, social norms, proactivity (Cox, 1995; Bullen and Onyx 1998; Falk and Kilpatrick, 1999). Cox (1997: 2) defines social capital as the ‘factor which allows collective action in the public sphere and for the common good’. Additionally, social capital has been defined as having horizontal dimensions among citizens at community level in networks of cooperation as well as vertical dimensions between institutions and those in authority and people at local level (Latham, 1997). In relation to rural revitalisation, the enhancement of social capital, the building of trust, networks and enriched interactions at community level, is viewed by many as the key to a viable future.

Winter (2000) describes the key themes in the social capital debate in Australia as being:

- the definition;
- the role of institutions in creating social capital;
- the philosophy of human behaviour underpinning social capital; and
- the empirical measurement of the concept.

Both sides of government appear committed to developing the potential of civil society and of placing greater emphasis on social capital chiefly because of electoral volatility and the pressures on an over-burdened welfare state but also because of the need to build strong local communities. The conservative Liberal Prime Minister, John Howard reinforces the acceptability of notions of civil society and social capital.

We believe that social capital and the building of networks of trust and understanding in national and local communities are vital if those communities are to respond constructively to the challenges of change (Howard, address to the World Economic Forum Dinner, Melbourne 16/3/98)

One of the particular ways politicians look to build strong communities is through the devolution of welfare services to local levels and non-government organisations. Labor Party author and commentator, Mark Latham (1998: 121) deploring the depletion of Australia’s stocks of social capital argues that

The public sector needs to devolve the scale and authority of some of its own functions and place more resources and responsibilities in the hands of civil society ... it requires governments to resource the civil sector in a fashion no less legitimate than its conventional services.

There is no doubt that politicians on both sides of the political spectrum have committed to prioritising civil society and nurturing social capital through the devolution of welfare

services as a way of overcoming disadvantage. The way these ideas have been translated into policy directions bears close scrutiny.

Government Policy – Theory into Practice

The interpretation of these ideas in the policy context varies depending on the ideological standpoint of the commentator. In her Boyer lectures Cox (1995) argues for the need for strong centralised government to build social capital. This position is supported by the work of Putnam (1996) who found correlation between the size of the state and social cohesion. Cox also argues that competition breaks down social capital a factor of some importance as Australia has adopted a National Competition policy in the 1990s, a policy that has arguably seriously eroded trust and mutuality.

Cox's position, which is typical of the Left, is challenged by social democrats such as Labor Party commentator Mark Latham (1997) who notes that big government leads to passive welfare dependency, a factor which prevents the building of social capital. Latham argues for a middle way linking the strength and universal coverage of the welfare state with measures actively designed to build horizontal social capital at local level. Thus, his social democratic answer is to work towards 'horizontal devolution, mutuality and active welfarism' (1997: 34) devolving responsibility to local levels but maintaining government support to build social cohesion.

By contrast, the view from the Right, guided by an economic rationalist standpoint, is that social capital will only be enhanced if the scale of government is drastically reduced. Those holding this position view the growth of the welfare state as being responsible for the stifling of civil society and the decay of social capital. In Australia, the Federal Howard-led government endorses this position and has actively fostered smaller government, reduced government responsibility for welfare, devolved welfare provision to the non-government sector, endorsed mutual obligation as a condition of welfare payments and noted that individuals have responsibility for their own welfare. However, it is arguable whether this position has been adopted as a radical strategy to foster social capital and civil society, or as a measure to reduce government spending.

Whatever the rationale, the federal government has moved to shift responsibility for social welfare programs to local areas and to non-government organisations of the third sector through processes of privatisation and devolution. Government Ministers have expressed alarm at the increase in the number of welfare dependent people. Expenditure on income support for workforce aged people as a proportion of GDP increased from 0.6% in 1970 to 3.3% in 1998 and in 1997-8, 14% of workforce aged people were dependent on income support (Reference Group on Welfare Reform, 2000). The proportion of GDP spent on all measures of social security has risen from 4.2% in 1967 to 9.8% in 1997 (Winter, 2000: 31). The Minister for Family and Community Services, Jocelyn Newman, notes the government's commitment to breaking the cycle of welfare dependency and reducing the community's reliance on government as the main provider of welfare.

A modern safety net is not about blaming the victim or penalising or punishing disadvantaged people. Nor is it necessarily about more government intervention or throwing money at problems. It is about helping people avoid or move out of welfare dependency and give them real opportunities. And it is about people on government payments accepting responsibility and an obligation to help themselves... (speech to the National Press Club, 29/9/99)

In the process of reshaping the nation's attitude to welfare provision, the welfare state in Australia is being rapidly dismantled. Originally crafted around a strong, centralised and universalist notion of welfare provision, the Australian welfare state has moved towards a residualist model since the 1980s with the introduction of means testing and other restrictions on access. The release of the government's Interim Welfare Report in 2000 (Reference Group on Welfare Reform, 2000) signals further reshaping of welfare provision with a focus on reducing disability pensions and payments to single parents.

In relation to welfare service provision, the government has introduced a split between the purchaser and provider functions of service provision with government the purchaser of services provided by non-government organisations. Thus, the privatisation of welfare programs has progressed through a process of tendering out of welfare services to the most efficient bidder. Privatisation has led to many previous government services such as unemployment programs, now being run by third sector non-government organisations. However, successful tenderers have not necessarily been those with the most experience in the welfare field. In some cases tenders have been awarded to organisations from outside particular locality areas while local service providers have been unsuccessful. As a result, local expertise, knowledge and networks have been lost (Duncombe, 1999). Additionally, the distribution of services has not been uniform with some areas losing services altogether and others having multiple service providers. The tendering process has seen organisations competing against each other, in some cases presenting unrealistically low budgets in the tendering process, creating extraordinary pressures on services and staff. In the case of the employment services, government has been forced to inject additional funds for many services operating at a non-viable level leaving unsuccessful tenderers feeling cheated and disillusioned. Lyons (2000: 179) argues that the purchaser/ provider model has encouraged competition, encouraged for-profit organisations over non-profit, favoured larger organisations, increased bureaucratisation, failed to improve service delivery and disempowered service users.

Meanwhile, the policy of 'new managerialism' has infiltrated the language of service delivery. Rees (1995) defines managerialism as the idea that efficient management practices can create efficient service delivery. In fact, what appears to be happening is less about service delivery and more about managing with scarce resources, being accountable to management rather than clients and limiting access through such policies as 'user-pays'.

Why devolution is not creating social capital

The writer agrees with Cheers' (1998) argument that while the devolution of welfare services to non-government organisations provides an opportunity to develop innovative

services in rural areas, the opportunity has so far been overlooked. In moving to devolution the government has focused not on innovation and social capital building but on reducing welfare expenditure, withdrawing services and infrastructure and shifting responsibility and much of the cost of welfare programs to the non-government sector. Using principles of managerialism and privatisation, government has created some distrust amongst organisations competing for scarce funds, disillusionment amongst staff suffering from overwork and under-funding and restricted access in rural areas as service placement is determined around market principles rather than critical need. Lyons (2000) argues that non-government organisations have become little more than poorly paid extensions of government. Where government services have been withdrawn from rural areas, non-government organisations find it difficult or impossible to run a viable service in such areas. Despite high levels of disadvantage, poverty and reduced quality of life, many rural people have been seriously disadvantaged by devolution, further exacerbating social exclusion and alienation. Under such conditions, social capital at local level is being seriously thwarted.

In areas where non-government organisations are operating, serious problems remain. For example, there is a fairly blinkered view that voluntary and non-government organisations are in a state of readiness to carry out functions that centralised government with all its resources found difficult. Of concern is the fact that even those non-government organisations which were previously operating in an activist and socially aware framework, will find it difficult to continue in such a way when they are accountable to government for on-going and short term funding. Other, more traditional organisations, will be limited in vision and scope and may find it difficult to respond to the demands of contemporary society. Evidence is already emerging that non-government organisations are having difficulty responding to the extent of the demands for service. ACOSS (1998) reports that 65% of community welfare services experienced an increase in demand in 1998 and almost half (46%) are having to turn increasing numbers of poor and disadvantaged people away.

The position adopted by the Right, while hugely successful in devolving services appears, to date, to have been unsuccessful in building social capital because organisations and communities are being inadequately resourced to deal with the scale of need. Vertical social capital is as important as that at the horizontal level. Yet, the reduction of government activity and the adoption of market principles without a centralised framework of planning and resourcing seriously limit the development of vertical social capital and are unrealistic ways of dealing with welfare dependency. Raper (2000) notes that the government's position is flawed because cuts of several billion dollars have been imposed on the welfare budget critically impacting on the welfare sector's ability to cope. He argues that what is missing from the government's agenda is the principle of social justice in service delivery and the centralisation of government responsibility for the vulnerable. Given the scale of rural disadvantage, one might argue that those on the Right have appropriated the ideas of social capital and civil society which then allow the devolution of welfare services with lessened government responsibility and reduced expenditure. Certainly claims about social coalitions have not been followed by well-planned practices designed to build mutuality, trust and strengthened networks. If devolution of welfare services is to be effective, government involvement must be

sustained. The state has a responsibility to empower local communities through centralised planning because, as Wagner (1997: 52) notes, such local empowerment 'depends heavily on the involvement of a fiscally sound welfare state, and local initiatives should therefore be embedded in an overall national strategy'.

The position of the government also seems to fail to take account of the impact of globalisation on social cohesion. Globalisation has impacted on localism by drawing power away from communities and by creating conditions that make social cohesion at local levels so much for difficult. Yet, the importance of local level community development is recognised as critical to counteracting globalising forces and a weakened nation state (Ife, 2000). What is needed is far greater attention to and resourcing of regional development initiatives.

Conclusion

The concept of social capital has gained prominence world-wide as a way of empowering local communities in the face of globalisation. The building of trust and mutuality at local levels is important to overcome alienation, increasing poverty and social disadvantage. The devolution of social welfare programs is one strategy designed to create enhanced social capital at community level. Yet, the way social capital is interpreted and the strategies employed to facilitate devolution are ideologically driven. The Right has been dominant in Australia for much of the 1990s. The Howard government has actively facilitated the devolution of services and the reduction of government involvement in welfare service delivery. Yet, in rural areas at least, this devolution does not appear to have resulted in enhanced social capital. The problem would appear to lie with the commitment to free market principles which overshadows concern for the welfare of the disadvantaged and communities. Cox and Caldwell (2000) note that we need not only bottom line economics but also social impact assessments in relation to policy development.

Sustained government involvement in welfare is essential to creating the vertical social capital so necessary to the support of horizontal social capital at community levels. Lyons (2000) notes it is time to abandon the purchaser / provider model in favour of partnership models between governments, communities and civil society. Local communities must be resourced to deal with the issues of poverty, unemployment, access to education, health and welfare in their local areas. Yet, this resourcing must be framed by an overarching central strategy. The withdrawal of government support with the aim of enhancing civil society must be matched by state activity that is alert to citizen disadvantage. Currently rural people are suffering from a neglect of this duty.

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