

## THE MYTHS OF THE WELFARE STATE

Paper presented by Mark Latham, Member for Werriwa, to:

- the Institute of Public Administration Australia (Victoria), Melbourne, 24 April 2001;
- the launch of The Enabling State, (co-edited with Peter Botsman), Sydney, 16 May 2001;
- the Centre for Independent Studies Consilium, the Blue Mountains, 25 May 2001;
- the Victorian Branch of the Australian Fabian Society, Melbourne, 13 June 2001.
- the Institute of Public Administration Australia (Queensland), Brisbane, 14 June 2001; and
- the Social Entrepreneurs Network (SEN) Conference, Brisbane, 29 June 2001.

My interest in welfare reform comes from 35 years of experience with public housing estates, first as a resident and now as a Member of Parliament. I represent several broadacre public housing areas in Sydney's South-West with unemployment rates of 50 per cent and welfare dependency rates of 80 per cent.

My main purpose in public life is to do something about this problem. I visit the estates as often as possible and try to learn as much as I can from the people who live and work there. This has given me a different attitude to poverty from most people in politics. My conclusion is that we should forget about the grand theories of sociology and the ideologies of the old politics and pursue an evidence-based approach to welfare reform. Poor communities have more to teach us than we have to teach them.

One of the problems of modern politics is its disconnection from the poor. The people who work in the political system lead a lifestyle totally removed from the experiences of disadvantaged suburbs. Machine politicians – the spin doctors, opinion pollsters and party bosses who dominate the system – have no interest in public housing estates as these suburbs are not within marginal seats. Politicians of this kind are more comfortable talking about poll-driven subjects, such as so-called family values.

In recent decades, Left-wing politics has become associated with an abstract rights agenda. This has been a middle class movement, with affluent people making laws and running programs on behalf of the poor. In disadvantaged areas, however, social responsibilities are regarded as more important than legal rights.

The other side of politics is just as bad. The libertarian Right is obsessed with individual freedom. Yet for people outside the main centres of economic and political power in our society, all they have is the freedom to be poor. The rhetoric of a free society rings hollow in the poorest parts of my electorate.

The disconnection of the political system is also evident in the work of its opinion makers: the media, the academy and the bureaucracy. Journalists, academics and senior public servants do not live in public housing estates and rarely have cause to visit them. I have never read a newspaper editorial or journal article about the welfare system based on the author's first-hand experience with poverty.

Against this background, it is not surprising that Australia's welfare debate has become surreal. It bears no relation to the things I see or hear in my electorate. This confirms one of the golden rules of Australian politics: the things that people say in poor suburbs are

completely different to the way in which the issues are debated in parliament and the media. Our public life has become abstracted from the day-to-day practice of poverty.

As a result, welfare has become an exercise in political mythology. It gives people on the Left a warm inner glow, even though they have little understanding of how the system works in practice. It gives people on the Right something to demonise, even though they have no understanding of what might take its place.

The welfare state is good at mythology but not so good at ending the problems of poverty. To do this we need to take a different approach: to learn from the poor, to ground all aspects of welfare policy in the experiences of poor communities. Inevitably, this is an uncomfortable process: it challenges our preconceived political views; it bypasses the elitism of modern politics.

My objective today is to make you feel uncomfortable. I want to outline the evidence from my electorate and to puncture the many myths of the welfare state. But most of all, I want to talk about the things which work in practice – the evidence-based policies by which we can end the human tragedy of poverty.

## **1. The Myth of Government Spending**

The welfare debate in Australia primarily involves an argument about government spending. It is a myth, however, to believe that governments have the capacity to spend their way out of the welfare problem. The era of tax and spend politics has ended. There are binding limits on the size and effectiveness of the public sector.

Policy makers now face the dilemma of overloaded government: so many funding demands on the welfare state, yet so few funding sources in the globalised economy. Footloose capital has forced governments to bid against each other for jobs and investment. Whereas companies used to pay money to governments, the reverse is now true.

At the next Federal election, for instance, Labor is committed to spending less and taxing less than the Howard Government. (1) We accept the realities of an open economy and the limits this places on government budgeting. At the bottom line, Labor stands for a smaller public sector.

Anyone who believes in the likelihood of huge increases in welfare spending is off with the pixies. Alternative strategies need to be found. Government alone cannot solve the problems of poverty. Increasingly, welfare reformers need to look beyond the limits of the welfare state. Society's most entrenched problems require a cross-sectoral approach – harnessing the creativity and resources of the public, social and business sectors.

These social partnerships are the best way of creating successful communities. They adopt a policy of “all shoulders to the wheel” – governments, corporations, community organisations and welfare recipients, all doing more to end the curse of social exclusion.

In Werriwa's public housing estates this is seen as a commonsense strategy. Contrary to the rhetoric of Left-wing politics, poor people have little faith in the role of government. They already live in the equivalent of socialist suburbs, with 90 percent of the income and assets owned by government. Yet unhappily, this is a sign of their poverty rather than a solution to it. The hatred of the bureaucratic failings of the Department of Housing, Social Security and the Child Support Agency is palpable.

The organisations with the greatest public support lie outside the public sector. Non-government agencies such as St Vincent de Paul and Anglicare are well respected for

their pastoral role. Based on the evidence, we need to mobilise more resources of this kind. Government-first welfare strategies are a recipe for failure.

## **2. The Myth of Government Intervention**

Even if governments had more money to spend on welfare, this is not necessarily a good starting point for poverty alleviation. The debate between Left and Right has overlooked the social or moral dimension of poverty.

In my experience, the chief demand in public housing estates is not for more government intervention or more market forces. It is to normalise the neighbourhood – to give people a stronger sense of community and cooperation in their relationship with others. People want to feel safe and secure on the streets; they want to be able to trust their neighbours and work together with a feeling of common purpose.

These social foundations are vital to the success of the public sector. All the evidence shows that when people have a high level of trust and self-esteem they are more likely to make good use of government support, such as training programs and welfare payments. (2) There is a thing called society. And without it, there can be no end to the poverty cycle.

Some skeptics, of course, will say that the first priority for poor people is employment. While jobs are crucial, it is also true that the first step towards labour market success is a normal social environment. When I grew up in the Green Valley housing estate in the 1960s, for instance, most of the dads were in work. This provided effective role models and mentoring.

The emergence of long term and inter-generational unemployment in the 1980s, however, has had a crippling social impact. My most depressing experience in public life has been to hear the principals of disadvantaged schools report on their career counseling sessions. When asked about their career aspirations, some students say: “I’m going to do what my dad and grand-dad do – go on the dole.”

With the loss of the regular habits and dignity of work, society’s norms and standards have fragmented. This phenomenon has eroded self-esteem and given people a perverse sense of their own interests. It is not possible to get people back into work without first fixing the social dimension.

This insight exposes the problem with traditional welfare strategies. Governments usually think of exclusion in terms of financial capital, through finely calibrated measures such as the Henderson poverty line. It is assumed that the machinery of the state can dispense enough money to lift people above the line.

The key step in dealing with poverty, however, involves the creation of strong lines and relationships between people. We need to put the social back into social justice. Unfortunately, this task is beyond the reach of government agencies. While the state is skilled in the redistribution of financial resources, its community development projects are rarely successful. I am yet to come across a bureaucracy that is capable of creating social capital.

In some respects, this is hardly surprising. Bureaucracies rely on standardised structures and procedures. Communities rely on a diffuse set of social relationships. It is impossible to standardise trust and self-esteem. Whenever bureaucracies intervene in community life they tend to smother the essential sparks of social capital and creativity.

This has produced a crippling paradox within the politics of the Left. Its flagship welfare policies, such as transfer payments and training programs, are directed at individuals

rather than communities. No less than the libertarian Right, it has eroded the collective bonds of civil society.

For many in the welfare sector, this is bound to be an uncomfortable conclusion. The evidence, however, demonstrates the need for a new approach to welfare support. This is not a question of abandoning the welfare state but rather, redefining its strategic role. The public sector still needs to provide basic services and support, but in a different sequence to the traditional approach.

It needs to act as a junior partner to communities, intervening with special programs and resources only once the foundations of social capital have been laid. In the past, government expected civil society to fit the bureaucratic mould of the welfare state. Its new role is to identify and nurture successful community projects. This is what we call the enabling state.

### **3. The Myth of “Pity the Poor”**

Australia’s welfare system is plagued by false expectations. It is assumed that good welfare policy relies on increased public spending and greater government intervention. On both counts, this is an illusion.

Unhappily, these assumptions have created a culture of paternalism within the welfare state. It operates under the suspicion that the poor are hopeless. It gives little credence to the idea that the poor actually have the capacity to help themselves. It positions the poor as the problem and government as the only solution.

In practice, however, this “pity the poor” attitude is the real problem. It under-rates the capacity of poor communities to fight back from adversity. It under-estimates the ability of poor people to develop their talents and creativity. In the public housing estates in my electorate, the communities are always trying to fight back. Setbacks are invariably followed by a burst of energy and effort, a collective desire to improve the neighbourhood. There is no shortage of leadership and bold plans in these suburbs.

Unfortunately, the public sector is not very good at identifying and supporting this process. It lacks an antenna for bursts of innovation at a local level. Very often it treats the people involved as nuisances or troublemakers – residents who are unwilling to follow the bureaucratic mould and do things the conventional way. As a result, the sparks of creativity in poor suburbs tend to be smothered by the government-first agenda.

This is one of the reasons why inequality and social exclusion have become so entrenched in our society, despite high levels of welfare spending. The welfare state has been built around bureaucratic structures instead of the capacities of people. It has placed a dead hand on innovation and self-help in disadvantaged neighbourhoods.

The paternalism of welfare policy needs to end. We need to back people, not structures. We need to work on the assumption that, in each poor area, the answers to poverty lie within the community itself. In most cases, the things that are wrong with poor people can be fixed by the things that are right and promising in their lives.

### **4. The Myth of Static Poverty**

It is also important to appreciate the dynamic nature of disadvantaged communities. Traditionally, welfare policy has taken a snapshot view of poverty, measuring the number of people below the poverty line at a particular point in time. Governments have

concentrated on the recurrent payment of income support as a way of responding to this problem.

This static analysis, however, takes no account of variations in economic and social circumstances over time. For most people, poverty is not a permanent condition. It is estimated that 30 percent of society experiences occasional bouts of exclusion – falling in and out of the workforce, struggling with workplace restructuring, adjusting to changes in family and community life and so forth.

A recent study in the United Kingdom, for instance, revealed that while one-third of families suffered episodes of low income, only four per cent were persistently poor. (3) From my experience, I would expect the situation in Australia to be similar, with five to 10 percent of people experiencing long-term poverty. Unfortunately, the welfare research in this country is devoid of longitudinal studies.

Most of the trends in our society, especially the emergence of a new economy, point to greater fluctuations in life's circumstances. We now live in an era of relentless insecurity. Whereas the post-war welfare state was designed to give people economic security and greater peace of mind, this objective seems increasingly remote.

Compared to the relative certainty of the 1950s and 60s, an average working family is now 50 percent more likely to experience an unexpected decline in its living standards. (4) This reflects the pace of economic and social restructuring, with the rise of job insecurity and family and community fragmentation. It also presents a more realistic view of economic exclusion, with people moving above and below the poverty line on a regular basis.

For people in these circumstances, the welfare state is inadequate. Recurrent transfer payments were never designed to deal with continuous variations in life's conditions and the insecurity this brings. The benefits system was developed at a time when society was more stable and predictable. We need to find new ways of ensuring that people at-risk of poverty can cope with the inevitability of change. New welfare strategies are needed to give society a stronger sense of security.

## **5. The Myth of Public Administration**

One of the consequences of rapid economic and social change has been a new geography of poverty. As people move up and down the income ladder they more readily change their place of residence. Society has become more mobile and communities less stable.

This process has generated a significant level of population churning, with people moving in and out of poor suburbs as their economic circumstances dictate. It has also produced something of a paradox: even though a limited proportion of society is permanently trapped below the poverty line, a large and growing number of neighbourhoods display the characteristics of permanent poverty.

In short, the incidence of poverty has become more geographically concentrated. The social atlas of Australia's major cities shows that the most reliable guide to someone's socio-economic status is their postcode. This is not just a matter of disadvantaged individuals clustering in certain suburbs. The places themselves have become part of the problem.

Research has shown that the problems of disadvantaged neighbourhoods are much greater than the personal characteristics of their residents. (5) Networks of social exclusion feed off each other and compound the problems of poor areas. Significantly, the new geography of poverty has a multiplier effect.

The evidence indicates that welfare policies need to be place-specific. This explains the growing interest in the concept of place management – an attempt by policy makers to focus the work of government agencies on particular locations. While this work is still at an early stage of development, it nonetheless recognises the need for new responses to poverty. (6)

Traditionally, the public sector has been organised like a series of silos or stove-pipes. Departments have been structured around functional responsibilities – such as transport, education, health and family services – rather than the needs of locations. What we call “public administration” has not been very public at all. It has been disconnected from the way in which people lead their lives, especially in poor areas.

Unfortunately for disadvantaged people and places, their problems do not easily fall into each segment of government. A poor education, unemployment, health issues, domestic violence and other social problems invariably overlap and reinforce each other. Poverty needs to be understood as a process, rather than a series of segmented events.

The welfare state has struggled to respond to this reality. It does not have a “Department of Poverty” or other mechanisms by which its programs can be closely coordinated at a local level. The public housing estates in my electorate, for instance, feature 17 different government agencies providing 23 different programs and support schemes. (7)

While each agency is significant in its own right, no one has responsibility for the neighbourhood as a whole. This produces a high level of buck-passing and frustration within the agencies themselves. There can be few things worse in the public sector than working in poor areas but not having the power to solve poverty. Overcoming this deficiency is one of the key tasks for welfare reform.

## **6. The Myth of Abstract Rights**

Whenever I visit the disadvantaged schools in my electorate, I always put the following question to the school principals: if you could change one thing about the school what would it be? Significantly, they never nominate the need for more recurrent funding or better buildings. What they really want is to “get the parents more involved in the things we do, to have education appreciated in the home as well as at school.” This verifies one of the basic principles of disadvantaged areas: socially responsible behaviour is valued ahead of social rights.

Among the many myths of the welfare state, this is the most pervasive. While millionaire media commentators such as Phillip Adams and trendy Left politicians such as Natasha Stott Despoja focus solely on the rights agenda, the people who live and work in poor areas have a different set of priorities. They know that there can be no end to the poverty cycle without effort and responsibility.

Social rights and freedoms can only be exercised in the context of a mutually responsible society. People can be well off financially, yet they will not be free if they cannot walk the streets with a sense of safety. People can benefit from a strong social safety net, but they will not be free to achieve in society unless they are willing to seek new skills and work opportunities. And as the principals in Werriwa understand, children can spend a lot of time at school, but they will not be free to realise their potential in life unless work and education are valued in the home by their parents.

Rights alone are not enough. They need to be matched by responsibilities. This is the central failing of contemporary Left-wing politics. It has dished out a plethora of rights without demanding a corresponding set of social responsibilities. It continues to talk

about a good society but without any reference to the relationships and morality between people. Notions of community and shared obligation are external to its abstracted world.

Yet, in practice, this is all the poor themselves want to talk about. The core demand in disadvantaged areas does not involve the extension of social rights. It is to make the neighbourhood normal – to ensure that people act responsibly and respect each other's interests.

For decades I have been involved with these areas and not once have I seen people embrace the rights agenda. Not once, whether in the form of feminist, environmental, ethnic or welfare rights. Poor communities have little time for abstract politics. They are too busy trying to get the basics right: protecting their property, making ends meet and fighting back against poverty.

It is a fallacy to believe that poor people are opposed to the mutual responsibility agenda. In fact, more than any other part of society, they appreciate its benefits. This does not have to be a top-down process. Instead of imposing programs like Work For The Dole in an authoritarian fashion, the Federal Government should ask poor neighbours to develop their own programs of mutual responsibility. This act of empowerment would not only achieve significant results; it would help to expose the myth of abstract rights.

## **7. Evidence-Based Solutions**

Once the myths of the welfare state have been dealt with, the pressing need for policy reform is evident. The welfare strategies developed in the post-war decades are not suited to the modern challenges of poverty. If we could start afresh, if the welfare state was being created today, it would need to respond to a vastly different set of economic and social circumstances. Based on the evidence, it would need to:

- form partnerships and mobilise resources from across society;
- create social capital as a necessary precondition for poverty alleviation;
- bypass bureaucratic structures and back the capacity of poor communities to fight back;
- develop a new system of welfare support in response to the growth of economic insecurity;
- focus on the unique problems of disadvantaged places; and
- get serious about the fulfillment of social responsibility.

These issues sit outside the boundaries of the old politics. In the second half of the 20<sup>th</sup> Century, the welfare debate involved a struggle between government-first and market-first policies. It is now clear that both strategies are flawed. We need to look beyond the old Left and the new Right for welfare solutions.

This is the advantage of an evidence-based approach. It uses the skills of observation and logic to identify relevant welfare policies. Solutions to poverty are available, once we lift our eyes and ideas beyond the old ideological parameters.

## **8. Social Entrepreneurship**

Like most people in politics, I started out with a fairly doctrinaire approach to welfare policy. I believed in the capacity of state intervention to remake people's lives and clear away the problems of poverty. The seat of Werriwa, however, has shown me that this is a delusion. The bureaucratic machinery of government is poorly suited to the complex and diverse nature of poor communities.

Indeed, the only sustainable progress in tackling the problems of disadvantage in my electorate has come from outside the bureaucracy. We have been fortunate to benefit from a special group of people and projects: two of which have improved the public housing areas and another which has developed an innovative model of child care and education for intellectually disabled children. (Details are provided at Appendix I).

A striking aspect of the three projects is that they fit the description of what the welfare reform movement in Britain calls “social entrepreneurship”. (8) In the past, the welfare and corporate sectors were regarded as mutually exclusive. Welfare workers were deeply suspicious of the involvement of businesses in community development projects and likewise, the corporate world had little time for the values of social work.

The evidence suggests that social entrepreneurs have a unique capacity for bridging this divide. In the process, they have been highly successful in dealing with the new challenges of poverty. They have found fresh solutions to social exclusion, solutions that appear to be beyond the capacity of the welfare and business sectors operating in isolation. So who are these special individuals and why have they been successful? Social entrepreneurs come from a range of backgrounds, such as churches, welfare agencies and community organisations. They can also emerge from the public sector – middle managers that have been liberated from the bureaucratic rules and methods of government.

Social entrepreneurs combine the best of social practice, forging new connections and support between people, with the best of business practice, encouraging risk-taking and creativity in poor neighbourhoods. They play the role of community brokers: helping communities to fight back; nurturing small bursts of effort and achievement; linking these projects to new partnerships and alliances; thereby creating a wider span of community success and social capital. They are also capable of creating something out of nothing. Social entrepreneurs are good at taking disused public assets (such as old buildings and land) and turning them into community achievements. This is not just a matter of physical change; it also involves social change, creating new networks of self-esteem and cooperation. At their formative stage, the projects involve a community hand-up instead of a government hand-out.

This is a critical distinction. Social entrepreneurs are different to other parts of the social sector. Whereas social workers rely on government grants and social enterprises rely on start-up capital, social entrepreneurs start out with nothing. Their only resources are within the community itself, namely under-utilised people and buildings. As the British author Charlie Leadbeater puts it, they are capable of “living on thin air.” (9) Social entrepreneurs are also likely to live and work within the communities they serve. Whereas most social welfare organisations operate out of CBD offices, social entrepreneurship has a neighbourhood focus. Its projects are based on a high proportion of local employment and local support. This is not the type of community work in which the workers come from outside the community.

In summary, social entrepreneurs are more interested in developing people than structures. They place a premium on relationships of collaboration and partnership. Importantly, they see the corporate sector as an ally in this task. In Britain, for instance, social entrepreneurship functions under the catch-cry of “communities in business, not communities in committee.” (10) In the past, community projects have been managed on either a top-down or bottom-up basis. Through the work of social entrepreneurs, however, communities tend to grow inside-out. From small beginnings, networks of trust and cooperation are developed over time. This is the best way of generating social capital and normalising poor neighbourhoods.

With this social platform in place, the financial, employment and training programs of government are likely to achieve their best results. Indeed, the social entrepreneurs themselves are only willing to seek government support once the local community is ready for it. They know that there is little point in pouring large amounts of public money into dysfunctional neighbourhoods. The machinery of the state needs to be built on sound social foundations.

There is nothing to be gained from doubting this approach. The social entrepreneurs in my electorate and elsewhere are getting results. Forget about the textbooks and grand theories of sociology. Throw away the scores of government reports on social exclusion. When it comes to eliminating poverty, what matters is what works. At one level, it is not difficult to understand the success of social entrepreneurship. It meets most of the criteria for modern welfare reform. It relies on partnership formation rather than government spending. It focuses on the social dimension of poverty instead of government intervention. It believes in backing the talents of local communities rather than pitying the poor. It concentrates on the development of people and places ahead of the silos of public administration.

This is the big idea in welfare reform. The big challenge, of course, is to work out an effective role for public policy. It is not easy to reconcile the contrasting cultures of the state and social entrepreneurs. To a large extent, social entrepreneurs aim to bypass the traditional machinery of government. They avoid bureaucracy like the plague.

Likewise, the public sector is not comfortable with an independent approach to community development. Its politicians prefer a “big bang” style of project implementation, with the visible gains of new buildings and services. The work of social entrepreneurs, however, is incremental and mostly invisible to the political system.

Government officials also have concerns about the accountability of these projects. The risk-taking ethos of social entrepreneurs rubs up against the conventions of public sector management. The bureaucracy is uncomfortable with unpredictable processes, especially those that are hard to quantify in financial terms. Concepts such as social capital are difficult to measure and incorporate into the budget bottom line.

Until recently, I thought that it might be possible to change the way in which government agencies function to more effectively match the social entrepreneurial approach. This is why I have been advancing ideas like place management and public sector flexibility. On reflection, however, this is an unrealistic goal.

Social entrepreneurs are the ultimate networkers, operating within flat, devolved and connected organisations. The machinery of government, by contrast, is an insoluble hierarchy. It is organised such that power and information are concentrated at the top of stand-alone institutions.

In the world of nature, we know how hard it is to make elephants move like tigers. So too, in the world of governance, we should not delude ourselves into believing that bureaucracies can behave like social entrepreneurs. They are poles apart. Rather than reshaping the bureaucratic mould, we need to create an alternative mechanism by which public sector resources can be used to support social entrepreneurship. Just as the social entrepreneurs themselves seek to bypass bureaucracy, public policy needs to bypass the traditional methods of government. In effect, we need to create an alternative welfare state – one that harnesses the values and ethos of social entrepreneurship in its funding base.

## **9. Social Venture Capital**

In early April Brian Murnane, one of the social entrepreneurs in my electorate, spoke to the Social Policy Committee of the Federal Labor Caucus. He set out the Claymore story: how the worst suburb in Sydney had been transformed into a normal, functioning neighbourhood. He then explained the next phase of this ambitious project: the purchase of the local shopping centre and the development of community businesses and training programs.

At this point Murnane said something unique. He said that “we don’t want a hand-out from government to do this, we want a low-interest loan, we want venture capital.” I have never heard anyone from the social sector talk this way in Canberra. Usually they come cap-in-hand looking for government grants. Paying the money back to government with a return on investment? Murnane was talking about a revolution.

This demonstrates the distinctive nature of social entrepreneurship. Having normalised the neighbourhood, Murnane now wants to get the community into business, to reconnect Claymore with the real economy and to develop a culture of enterprise. In their hunger for success, social entrepreneurs straddle the corporate and social sectors. They think like businesspeople, yet they also practice the values of compassion and opportunity.

As a consequence, these projects rarely comply with the silo structure of public administration. No level of government – Federal, State or local – currently provides venture capital of this kind. Unfortunately, Claymore’s success is in danger of stalling as it tries to progress to its next stage of development. The creation of social capital needs to be followed by improved access to financial capital.

This requires the establishment of social venture capital. Governments need to replicate the success of the private sector in making long-term equity investment available to entrepreneurs. This approach bypasses the bureaucracy; it matches the ideals of social entrepreneurship. It forms the basis of an alternative welfare state: Social Venture Capital Funds directly resourcing innovative projects at a local level.

In the past, governments have provided a huge amount of money to community development projects but with little success. These programs have followed a familiar pattern of failure: the formation of local

co-ordinating committees; the involvement of residents enthusiastic about a new approach; some capital works and physical changes; skepticism and resistance from central government agencies; a gradual loss of effort and enthusiasm at a local level; demands for further government funding; and ultimately, the collapse of the program.

Social entrepreneurs turn this process around. They operate on the basis of increasing returns to investment, accumulating additional partners and social capital as their projects develop. Social venture capital would aim to back this kind of success. It would allow social entrepreneurs to move poor communities back into the real economy.

Each year the Federal Government spends approximately \$500 million on community development and other location-specific projects. A similar amount of funding is provided under various State and local government programs. (11) It should be possible, therefore, to redirect at least \$1 billion of public money into social venture capital.

It is also important to mobilise private sector contributions. Last year, as part of the Prime Minister’s so-called social coalition, the Howard Government provided an additional \$71 million per annum in tax concessions for corporate philanthropy. Unfortunately, this program perpetuates the worst aspects of passive charity. It

encourages corporate executives to write their cheques on the 25<sup>th</sup> floor and then wipe their hands of any direct contact with the poor. It promotes a hand-out instead of a hands-on approach to poverty. Indeed, it is difficult to understand how a social coalition can be formed without the development of social relationships. (12) These tax concessions should be redirected to the facilitation of social venture capital. It should be possible to leverage \$1 billion of private sector investment, bringing the total amount of start-up capital to \$2 billion. Tax concessions of this kind are doubly beneficial: not only do they increase the resources available to social entrepreneurs, they also encourage firms to take a hands-on role. Once companies invest in social venture capital they have a clear interest and reason to dedicate staff resources and know-how to the success of the projects. In this fashion, social venture capital has the potential to close the social and economic gap between our richest and poorest citizens.

I envisage a network of ten Social Venture Capital Funds, each carrying capital of \$200 million. As with most venture capitalists, the funds would be small-scale units. Experts in social entrepreneurship and business investment would staff them. They would also need to develop good contacts and information for the identification of suitable projects. The newly formed Social Entrepreneurs Network (SEN) should be able to assist this task. (13)

The SVCFs would compete against each other, aiming to deliver a healthy rate of return to their public and private investors. The most successful funds would undoubtedly attract further corporate contributions. I would also expect the funds to develop a range of specialties. Social entrepreneurial projects tend to be quite diverse, depending on their geography and purpose. The identification of successful projects, therefore, requires a high level of expertise. Some funds, for instance, would carry a high proportion of Aboriginal projects in their portfolios, while others would concentrate on inner city, outer suburban and rural projects.

Based on the experience in my electorate, I would anticipate two to three hundred projects nationwide. Social entrepreneurship, of course, cannot be manufactured or franchised. It lies within the skills of community leaders. I have no doubt, however, that this type of leadership is available across the nation. In many cases, it has been lying dormant, under-utilised by the welfare state. Social venture capital would overcome this deficiency.

This is a new way of thinking about public policy: actively bypassing the formal institutions of government. Traditionally, welfare has only been of use to people as long as they remain poor. Social venture capital aims to tap into the wealth that lies beyond the welfare state. Welfare policy needs to provide more than just compensation; it needs to reconnect disadvantaged people and places with the real economy. This approach has several advantages:

- Most importantly, it harnesses additional resources to the welfare task. Given the limitations on government funding, social partnerships and improved capital access have become all-important. Social entrepreneurship is the best way of maximising the financial, human and social capital available to poor communities.
- Social venture capital is perfectly suited to the work of social entrepreneurs. It complements their culture of creativity and risk-taking. It also meets their requirement for patient capital. Just as social entrepreneurs take a long-term approach to the development of social capital, they need access to long-term investment funds.
- The SVCFs are also likely to attract a higher level of corporate support than the traditional philanthropic approach. Businesspeople want to deal with organisations

that talk their language and share their ethos. The funds are ideally suited to this role. They are also well placed to take advantage of the emerging trend towards socially responsible investment, especially among Australia's superannuation funds. (14)

- Social venture capital addresses one of the chief inequities of the new economy: the hollowing out of investment and employment opportunities in disadvantaged neighbourhoods. These areas have become enclaves of exclusion, with a downward spiral of low consumption, low investment and social stigmatisation. The SVCFs would break this cycle. The Federal Government needs to provide mechanisms and incentives for business investment in the poorest parts of this country, just as it provides programs for Australian businesses to trade and invest in other countries. (15)
- Social venture capital also deals effectively with the question of public sector accountability. Like all risk-takers, social entrepreneurs sometimes fail. Currently governments are unwilling to support one-off projects that involve economic risks. The SVCFs, however, would be able to spread these risks across a significant portfolio of investments. The funds would need to show a return on the bottom line, rather than for each of their projects. This is highly accountable and transparent system.
- In overcoming the economic and social costs of poverty, successful social entrepreneurship can save the public sector vast amounts of money. It should be possible to measure these savings and reinvest the resources in the SVCFs. The public sector needs to get into the habit of backing success. This is the benefit of an alternative welfare state: it opens up contestability for the use of scarce public funds. If welfare bureaucracies are failing then they should be de-funded and the resources re-allocated to social venture capital. Ultimately, the best form of public sector accountability is competition.

## **10. Mutual Responsibility**

Social entrepreneurs can also help to resolve the question of mutual responsibility. As mentioned earlier, poor communities recognise the importance of socially responsible behaviour. Only within the political class is there an ongoing debate about this principle.

Politicians who grew up in comfortable middle class homes find it easy to talk about human rights. Having only known poverty as an abstract concept, they see the world in terms of abstract rights. This allows them to clear their consciences without necessarily changing the way in which people live.

In practice, however, rights are nowhere near as important as outcomes. In my electorate, people want to achieve better results by improving the way in which mutual responsibility works. Participants in the Work For The Dole scheme, for instance, cannot understand why they need to be put on buses and sent to projects 10 to 20 kilometres away when there is so much work to be done in their own patch. The first and most important obligation of welfare recipients is to their own communities. The creation of social capital starts at home.

Accordingly, the Federal Government should devolve the authority for mutual responsibility to a local level. Social entrepreneurs should be empowered to determine these arrangements, in consultation with local residents. This would add substantially to the social and economic resources available to their projects.

The Aboriginal activist, Noel Pearson, has given an example of this approach within the Cape York community. Pearson wants his people to take responsibility for fighting back

against poverty. He believes that Aboriginal welfare should be paid into trust funds administered by tribal elders. The money would only be released once Aboriginal men had taken proper responsibility for their actions and caring for their families. This policy combines the best features of government support, Aboriginal self-determination and personal responsibility. It highlights the benefits of a devolutionary approach to welfare policy. Incredibly, both sides of Federal politics have been reluctant to move down this path. I would expect other social entrepreneurs to devise equally innovative proposals. This is the best way of broadening the coverage and success of mutual responsibility. This issue is still in its formative stage in Australia. In particular, it is yet to impact on education and health care outcomes.

In some parts of the United States, for instance, public housing tenants are required to undertake education and training courses as a condition of their rental leases. This not only creates new labour market skills, it improves the capacity of parents as educators. Governments have an obligation to provide housing and training for poor people. But so too, parents have a responsibility to develop the skills by which they can be effective educators in the home. At a time when educational qualifications have become all-important, there can be no excuse for poor parenting. (16) Equally, there can be no excuse for the poor management of health and lifestyle issues. The huge public costs of health care are a consequence of personal irresponsibility – in dietary, drinking, smoking and exercise habits. Some doctors are now making expensive medical treatments conditional on changes to personal behaviour. Public policy should not be afraid to assist this process.

Finally, this model of mutual responsibility would also act as an alternative to the Federal Government's Job Network. Currently the network suffers from the problems of monopsony – where the government acts as a single buyer of employment services. This has led to a series of anomalies in the pricing and quality of services.

Under a policy of devolution, social entrepreneurs would play a role in the provision of labour market programs and the application of mutual responsibility. Social venture capital would serve as an alternative source of funding, allowing social entrepreneurial projects to buy-in a range of employment services, in competition with the Job Network. This confirms the benefits of an alternative welfare state: it breaks up the government monopsony and creates greater competition for the cost-effective use of public funds.

## **11. Stakeholder Welfare**

A reformed welfare state must also respond to the growth of social and economic insecurity. People who oscillate in and out of poverty need to be able to smooth out their income fluctuations, drawing on a range of assets during periods of disadvantage. We need to move from a system of recurrent income transfers to one based on asset accumulation. This approach is known as asset-based welfare reform. (17)

Internationally, both sides of politics have embraced this policy, from the Bush Administration in the United States to the trade union movement in Sweden. Unfortunately, it is yet to have a significant impact on the Australian welfare debate. This is a major shortcoming, again demonstrating the isolated and inward looking nature of our political system.

Asset-based policies aim to move with the tide of economic change. The new economy is placing a premium on asset accumulation. This is a new benchmark against which the notion of social inclusion needs to be measured. A good society has each of its citizens actively participating in the benefits of financial, human and social capital. The purpose of a modernised welfare state should be to assist this process.

In the old system, governments tried to redistribute economic resources through tax and spend strategies. As noted earlier, there are now clear limits to this approach. In any case, transfer payments are not a good way of generating economic and social participation. Instead of fostering self-reliance and security, they force people to rely on the benevolence and fiscal capacity of governments.

People need a tangible stake in society and the new economy; in effect, they need to be freed from the vagaries of the welfare state. For those facing insecurity, assets are an essential buffer against the contingencies of change. They allow people to smooth out their income capacity and economic circumstances. In particular, they allow workers to bounce back from the impact of restructuring, thereby avoiding bouts of poverty.

Asset accumulation is also vital for the long term poor. One of the mistakes of the welfare state has been to under-estimate the capacity of disadvantaged people to save. Programs overseas, for instance, have shown that the poor can save and invest, once they receive the right kind of incentives. (18) This process, in turn, creates spin-off benefits in terms of self-esteem, health care and career prospects.

The only way to leave poverty on a permanent basis is to save and accumulate assets, whether in the form of financial, education or social resources. Incredibly, the welfare state has emphasised recurrent income transfers rather than assets. Rich people, of course, have no problem with the question of asset accumulation. Family inheritances pass on the benefits of financial capital and a good education from one generation to the next. The welfare state needs to provide a similar set of opportunities for the poor.

In the past, public policy has encouraged a limited range of financial assets, such as home ownership and superannuation. These schemes, however, have been available to everyone bar the poor. It seems surreal that the Left has tolerated such a massive inequity. It has been happy to pay income support to the underclass and asset support to the middle class. Indeed, means tested payments have actively discouraged asset accumulation: if welfare recipients save more than a small amount they become ineligible for income support.

Not surprisingly, these arrangements have made the poor welfare dependant and the rich asset dependant. Inequality has been institutionalised in our society. The true Left-wing policy is to give low-income earners equal access to asset support. The best type of welfare safety net is a trampoline. The new role for government is to facilitate asset accumulation among the victims of poverty and economic insecurity. It needs to develop a stakeholder welfare state, in which all citizens have access to various forms of capital. Each of its welfare programs needs to include an assets strategy for the disadvantaged. In summary, stakeholder welfare aims to:

- Disperse the ownership of economic assets, especially through participation on the stock market. The Federal Government, for instance, should introduce a First Shareowners Scheme to strengthen Australia's credentials as a share-owning democracy, especially among low-income groups. (19)
- Establish a network of welfare savings accounts, with strong incentives for poor people to put money aside and accumulate assets. The accounts would be available for a range of purposes, such as education, home ownership and equity investment. (20)
- Create a highly skilled and capable population. This means ensuring that people have access to a bank of resources from which they can meet the costs of lifelong learning. A proposal for Lifelong Learning Accounts is set out in my book, What Did You Learn Today? (21)

- Develop new and innovative ways of creating social capital in disadvantaged communities. This means creating an alternative welfare system based on social entrepreneurs and social venture capital.

## **Conclusion**

The NSW Premier, Bob Carr, often expresses the pessimistic view that there are no new ideas in politics, no new answers to the social problems of our time. (22) If one's search for new ideas is limited to the traditional sources of political information – such as parliamentary debates, bureaucratic recommendations and university research – then Carr is right. The well of innovative thinking has run dry.

This is why welfare reformers need to look beyond the conventional wisdom. They need to examine the evidence, learning from the work of social practitioners. The new frontier of progressive politics is being forged within disadvantaged communities. Places like Claymore and Cape York are learning by doing.

In these settings, politics is full of new ideas. The challenge for policy makers is to hook into these networks of innovation and practical reform. Politicians need to break their addiction to machine politics and rediscover poor neighbourhoods. Bureaucrats need to get out of their CBD offices and start talking to social entrepreneurs. In both cases, they need to take an evidence-based approach to welfare policy.

The myths of the welfare state are based on old ideological ways of thinking. In reality, the world has moved on. The Information Age is demanding cross-sectoral and multi-disciplinary solutions. It is rewarding organisations that place a premium on collaboration and networking. We have entered an era of boundary crossing.

This is not some new theory or abstract piece of social engineering. It is grounded in social practice. People do not live their lives in neat ideological boxes. They do not sit around trying to wind back the growth of the welfare state; nor do they spend their time working out new ways of regulating the economy.

Rather, they adopt a problem-solving approach. This means taking the best of both sides of politics – the values of the Left as well as the Right – and applying them to our toughest social issues. The old ideologies are insufficient to deal with the modern challenges of poverty. A new synthesis is required.

The concept of social entrepreneurship, for instance, draws on the best of Left-wing politics – the ideals of cooperation and compassion – plus the best of Right-wing politics – an ethos of enterprise and risk-taking. Likewise, social venture capital crosses traditional political boundaries, mobilising additional resources for poor areas while also embracing the realities of private sector investment.

The other proposals in this paper rely on a similar process. In the past, the Left has stressed the importance of mutuality and social cohesion while the Right has emphasised the values of social responsibility. Mutual responsibility brings these two ideals together. So too, the Right has argued for savings and asset accumulation while the Left has pursued the redistribution of economic resources. Asset-based welfare bridges these two concepts.

On the evidence, the things that I have seen and learned in my electorate, these reforms are all-important. They offer society its best chance of winning the war against poverty. They demonstrate the means by which we can make welfare work.

At one level, however, this is what makes Australian politics so frustrating. The know-how is available to solve our worst social problems. But the political system is only

interested in ideological boundaries and the point scoring this evokes. It is the equivalent of play-acting, as each side makes its set-piece criticisms of the other. In its final form, this is how the myths of the welfare state are perpetuated. It is more about the comfort of the political system than addressing the discomfort of the poor.

---

## **Appendix I:                    Social Entrepreneurial Stories**

### **Brian Murnane and the Claymore Miracle**

Sometimes miracles do happen. Six years ago Proctor Way in the Campbelltown suburb of Claymore was known as the worst street in NSW. It had a record of 60 police incidents a month or two a day.

The street was full of vandalism, family disputes and despair. Things were so bad that the State Government could not pay people to move into the public housing. The low ebb came in late 1995 when two tragic fires turned the townhouses into infernos, killing five people.

Today Proctor Way and much of Claymore have been transformed. It is now possible to talk about a functioning community. The neighbourhood still has high unemployment and the odd incident but generally, it has regained a sense of normality.

People no longer live in fear in their homes, wondering if their next-door neighbour has been doing the break-ins. Instead, they share a community life with some important projects underway. There is now a 12 month waiting list for new residents. This has been the Claymore miracle, a wonderful example of social reconstruction. How did it happen and what are the lessons for policy makers? The first lesson comes from the decision of the NSW Department of Housing to leave the area. In 1996 it handed over part of Claymore to the Argyle Community Housing Association, a division of St Vincent de Paul. The residents had grown distrustful of the Department. It was seen as distant, cold and bureaucratic - more interested in making rules than helping people.

By contrast, Argyle established its office in Proctor Way itself, right next to where one of the burned-out townhouses had been. From the very beginning, it confirmed its community credentials. Argyle saw the problems in Claymore as social, not just economic. The housing manager, Brian Murnane, was determined to establish relationships of trust and cooperation between the residents.

He started with small things, such as a community barbecue and clean-up days, and then moved on to bigger projects, such as a Neighbourhood Watch scheme. This burst of energy and effort created an enthusiasm for doing things together. As Murnane describes it “everytime someone said let's do something, we backed them.”

In particular, the Pacific Islander residents led the development of a thriving community garden on a large slab of disused public land. This became a focal point of achievement, as the residents crossed their different cultural boundaries and learnt from each other.

Having normalised the social environment, Murnane then moved on to the development of skills and economic activity. He set up a small business to meet Claymore's housing maintenance and lawn mowing needs. A low-interest loan scheme was also established, managed by the residents themselves. This has been an important source of financial education and participation. It has functioned like a micro-credit scheme, with a default rate of just one per cent. These enterprises have established new skills and employment

opportunities in Claymore. Murnane now wants to take another step forward. He wants to take over the run-down neighbourhood shopping centre for the development of business ventures, cooperatives and training programs. This is where social venture capital has a role to play, exposing the capital markets to new investment opportunities in poor neighbourhoods.

Brian Murnane has fulfilled the role of a community broker - building new partnerships between people, while also giving them the confidence to develop their skills and to take risks. This is such an important lesson. People do not live their lives through committee meetings and minutes. They want to get things done in practical ways, creating new relationships of trust and achievement.

This is why social capital is so vital. It is a community's immune system against social breakdown. No amount of government money or market economics can reproduce these relationships. They rely on the work of people like Brian Murnane and the development of community life.

Six years ago, I doubted that anything could ever be done to improve the situation in Claymore. Thankfully, this wonderful example of social entrepreneurship has proved me wrong.

### **Helen White and the Minto Hill Project**

Social entrepreneurs often emerge in unexpected ways and places. Following the success of the Claymore project, the NSW Department of Housing decided to try something similar in a section of the Minto estate (known as "the hill"). In October 1998 it appointed one of its middle managers, Helen White, to run a new program called "intensive tenancy management." Like Brian Murnane, she was located on-site and expected to work closely with the local community.

It took White several months to break down the residents' suspicion of someone from the Department. Thereafter she moved down the social entrepreneurial path: organising street BBQs and clean-ups; employing a handyman to fix the small but significant things around the estate; and most of all, enabling people to do things for themselves. The community now runs its own neighbourhood watch scheme, soup kitchen, vegetable gardens and arts and crafts program.

Perhaps the greatest success, however, has been the establishment of a new business called Concept Cooperative. In late 1999 five women decided to establish an enterprise that matched the skills of the local residents against the needs of the local area. It now provides a range of house cleaning and renovating, gardening and rubbish removal services. It also hopes to establish a youth employment and training program.

As White sees it, "the community here is like a treasure chest. We have uncovered valuable people previously hidden behind fences. Basically, they want what everyone else wants. They want a happy home, a safe place for their children and they want to be proud. The way the system was, people here had lost their self-esteem, but we're trying to bring it back."

As a result, Minto is an improved place. Public spaces that had been dominated by graffiti and crime are now being used constructively. Relationships of isolation and fear have been converted into a spirit of community and cooperation. For the Housing Department, the numbers look good. Rental arrears are down by 47 percent while vacancy rates have fallen by 50 percent.

There are two important lessons from this project. The first concerns the significance of people skills. Helen White is a strikingly enthusiastic and inspirational person. When I first met her in 1999 she said that she “couldn’t sleep at night for thinking about new ideas for Minto.” White runs a people business. Her sole asset is social capital. She has a distinctive way of bringing out the best in others. Without the right kind of character and commitment, there can be no such thing as social entrepreneurship.

The second lesson concerns the limitations of public administration. While, to be certain, social entrepreneurs are available within the ranks of government, they are not necessarily suited to the methods of government. White has not had the same freedom and success as Brian Murnane in crossing institutional boundaries. At the end of the day, she is a government employee, somewhat restricted by the departmental rulebook.

This has limited the capacity of the Hill Project to form partnerships. It is still part of the housing silo, disconnected from education and health services and most importantly, new sources of corporate investment. Other than the Concept Cooperative enterprise, it has not been possible to generate new employment and training opportunities.

Within its current management structure, it is difficult to see how the project can convert its social capital gains into financial capital. It needs an alternative source of funding to create a wider range of business ventures. It would benefit substantially from access to social venture capital. If social entrepreneurs are to succeed within the public sector, they require a high level of risk-taking autonomy, both in their social work and economic partnerships.

The Minto experience has convinced me that this is not likely. While the project has made some important gains, it remains a second-best model. The best and most enduring solution to poverty lies in the creation of an alternative welfare state.

### **Vicki Meadows and Families in Partnership**

The greatest challenge for any parent is to raise a developmentally delayed child. A group of working class parents in Campbelltown has met this challenge with an inspiring program of social entrepreneurship. Not content with placing their children in institutionalised care, they have tried to build the provision of services around the needs of their families. Through a powerful combination of innovation, social capital and sheer tenacity, they have achieved a remarkable amount of progress.

The Families in Partnership story starts in 1994 when two parents, Vicki Meadows and Mandy Shepherd, decided to do something positive about the needs of their developmentally delayed infants. They wanted their children to stay in a normal family network, rather than experience the isolation of child care. It was important for the children to keep developing and learning from regular contact with their brothers and sisters.

Instead of doing things the conventional way, by turning instinctively to a government department, Vicky and Mandy took their own initiative. They joined a new group called Families First, organised by the Kindergarten Union and experts at Macquarie University. This innovative service operated under an integrated model of family support and sibling learning. Vicki and Mandy urged other parents to join, generating the enthusiasm for an additional playgroup and substantial fundraising. They also set up a support network among the parents to help each other with the stress and trauma of raising their children.

Initially Families First was located in an old shed at the rear of an existing childcare centre in Campbelltown. It made good use of a disused community asset. By 1995,

however, it had become so successful that it qualified for Federal funding to construct a purpose-built facility. This was opened in 1997, further increasing the size and scope of the service. The results for the children have been outstanding, with an improved level of development and regular family contact.

The success of Families First gave Vicki Meadows the confidence to play an even stronger leadership role. In 1998 she established a new group called Families in Partnership. It took on an ambitious agenda for families with disabilities, mobilising resources from across the health, university and community sectors. Its achievements include:

- The Kids Club, which uses sporting activities to integrate children with disabilities into the community;
- Project Play, a buddy system which links disabled and non-disabled school children in the development of play and social skills; and
- Advocacy Skills for Parents, a program run through the University of Western Sydney that teaches parents the lobbying skills they need to secure a better deal for their children.

As the children have grown older, Families in Partnership has shifted its focus towards school-related issues. The parents have grown disillusioned with the structure of special education. In particular, they want a higher level of innovation and service integration than the government school system is willing to provide. As one parent (the mother of eight year old Jimmy, who has a moderate intellectual delay) puts it:

On one occasion I found out about a new literacy workshop and paid for one of the teachers to attend it after-hours. When the principal found out about it he summoned me to the school and castigated me for my 'unethical behaviour'. Am I meant to apologise for trying to get a decent education for my child? ... Jimmy's programs are delivered in professional boxes. For example, I would take Jimmy to occupational therapy (OT) and speech therapy (ST) at private providers external to the school. He would then return to the school where the teachers had no knowledge of what he had learned at OT and ST. The result is that the development of my boy suffers. Why can't we put all the services in the one place?

Families in Partnership is not willing to tolerate the failings of the education bureaucracy. It has applied to the NSW Government for the establishment of a community or charter school. Instead of running special education out of a large department in the centre of Sydney, the parents want to run their own school, in collaboration with teachers, community representatives and the Campbelltown campus of UWS.

Internationally, the evidence shows that schools achieve their strongest results when they maximise the involvement of parents. (23) This approach is doubly beneficial in special education. It allows the integration of school and home-based programs across a number of disciplines. The community school plans to provide a range of education, health and family services, with funding bundled together from three State departments. The school will also draw on the expertise of the early childhood teaching and research programs at UWS. It has the potential to be a national centre of excellence in special education.

From small beginnings, Families in Partnership has grown into a dynamic leader in the disabilities sector. The parents are acting on their well-formed and innovative views about the needs of their children. Most of all, they want to be treated as equals in their contact with health professionals, academics and bureaucrats. They are not interested in the language of consultation – they want real and lasting partnerships. When social entrepreneurship empowers parents in this fashion, it is an incredibly impressive force for social justice. As Peter Botsman has written, “there are no tougher problems than the ones these families face. Already they have achieved things that an army of bureaucrats, governments and professionals would not have even contemplated. Vicki Meadows and

her network inspire people to work for them to build something better out of one-off payments, uncoordinated area spending and paternalistic expert advice. Partnership and direct involvement in the funding, management and delivery of services for their children and families is the lesson they give us.” (24)

---

**Notes:**

1. Interview with Shadow Treasurer Simon Crean in The Australian, 7 April 2001, pages 1, 6 and 23.
2. Amitai Etzioni, The Third Way to a Good Society, (Demos, London, 2000), pages 16-17.
3. A. de Haan and S. Maxwell, “Poverty and Social Exclusion in North and South”, IDS Bulletin, No.1, 1998, pages 1-9. Similar results have been recorded in other European countries: see Anthony Giddens, “Social Change in Britain”, Tenth ESRC Annual Lecture, 2000.
4. Will Hutton, “High-risk Strategy is not Paying Off”, The Guardian Weekly, 12 November 1995, page 13.
5. Boyd Hunter, “Is There an Australian Underclass?” Urban Futures, No.18, 1995, page 20.
6. See, for instance, Mark Latham, Civilising Global Capital, (Allen and Unwin, Sydney, 1998), pages 214-20.
7. Figures presented by Craig Knowles, NSW Minister for Planning and Urban Affairs, at a WSROC local government conference, Merrylands, 22 November 1996.
8. For an outline of social entrepreneurial projects in Britain, see Charles Leadbeater, The Rise of the Social Entrepreneur, (Demos, London, 1997); plus the Community Action Network website: [www.can-online.org.uk](http://www.can-online.org.uk).
9. Charles Leadbeater, Living on Thin Air, (Viking, London, 1999).
10. Paul Brickell, People Before Structures, (Demos, London, 2000).
11. Estimates provided by the Federal Parliamentary Library Research Service.
12. For a critique of this program, see Mark Latham, “PM’s charity model a step back in time”, The Australian Financial Review, 15 May 2000, page 25.
13. Based on the successful Community Action Network in Britain, the formation of SEN follows a major conference of social entrepreneurs at the University of New South Wales in February. It will act as a support, information and mentoring network for social entrepreneurs across the country.
14. The ACTU and other social movements are advancing this agenda. See Sharon Burrow, “Whispers Outside the Boardroom Door”, Speech to The Sydney Institute, 29 August 2000; and Sean Kidney, “Super’s slide into social responsibility”, The Australian Financial Review, 25 August 2000.
15. The Queensland and Tasmanian Premiers have recently called for the introduction of special economic zones and tax concessions to attract investment to poor areas. Social venture capital answers this call in a fully constitutional, targeted and practical way.
16. For a more detailed explanation of Parents as Educator programs, see Mark Latham, What Did You Learn Today, (Allen and Unwin, Sydney, 2001), pages 86-91.
17. The seminal text on asset-based welfare is Michael Sherraden, Assets and the Poor, (M E Sharpe, New York, 1991).
18. See Michael Sherraden and Robert Friedman, “Asset-based policy in the United States”, in Sue Regan and Will Paxton (eds.), Asset-Based Welfare: International Experiences, (Institute for Public Policy Research, London, 2001), pages 6-34.
19. See Mark Latham, “Stakeholder Welfare”, Quadrant, March 2001, pages 14-21. It proposed to finance this program by reversing the recent halving of the capital gains tax rate.
20. Social entrepreneurs could play a role in the resourcing and management of the accounts. In the United States, most of the pilot schemes for asset-based welfare are run by non-government organisations. These are known as “matched savings accounts”, whereby every dollar saved is matched by a savings bonus. See Savings and Asset Accumulation in Individual Development Accounts, Report by the Centre for Social Development, St Louis, February 2001.
21. Mark Latham, What Did You Learn Today, pages 28-32. It is proposed to finance the accounts through government seed funding (to encourage participation by low-income groups), early superannuation access, enterprise bargaining, existing welfare payments and private contributions.
22. See Lyndall Crisp, “Dull campaign? I’ve been non-stop for six months”, The Sun-Herald, 14 March 1999, page 51.

23. Mark Latham, What Did You Learn Today, pages 86-100.
24. Peter Botsman and Mark Latham (eds.), The Enabling State, (Pluto Press, Sydney, 2001), pages 96-7.

## **Australian Article 25/02/02**

My interest in welfare policy comes from 35 years of experience with public housing estates, first as a resident and now as a Member of Parliament. I represent several broad-acre public housing areas in Sydney's South-West with unemployment rates of 50 per cent and welfare dependency rates of 80 per cent.

For all the Federal Government's rhetoric and reports on welfare reform, its policies have had little impact on the housing estates. Its obsession with individual freedom has overlooked the social dimension of poverty – the importance of strong communities and normal neighbourhoods. For people outside the main centres of economic and political power in Australia, their only real freedom is the freedom to be poor. While the power elites in Canberra debate poverty as an abstract and ideological question, the real life lessons are very different. In my experience, we should forget about the grand theories of politics, both Left and Right, and pursue an evidence-based approach to welfare reform. Poor communities have more to teach us than we have to teach them.

The chief demand in public housing estates is not for more individualism or more government intervention. It is to normalise the neighbourhood, to give people a stronger sense of community and cooperation in their relationship with others. People want to feel safe and secure on the streets. They want to be able to trust their neighbours and achieve things together.

These social foundations are vital to the success of the public sector. All the evidence shows that when people have a high level of trust and self-esteem they are more likely to make good use of government support, such as training programs and financial assistance. There is a thing called society. And without it, there can be no end to the poverty cycle.

The sceptics, of course, will say that the first priority for poor people is employment. While jobs are crucial, it is also true that the first step towards labour market success is a normal social environment. When I grew up in the Green Valley estate in the 1960s, for instance, most of the dads were in work. This provided effective role models and mentoring.

The emergence of long-term and inter-generational unemployment in the 1980s, however, has had a crippling social impact. My most depressing experience in public life has been to hear the principals of disadvantaged schools report on their career counselling sessions. When asked about their career aspirations, some students say, "I'm going to do what my father and grandfather have done, go on the dole."

With the decline in the regular habits and dignity of work, social norms have also been lost. This phenomenon has eroded self-esteem and given people a perverse sense of their own interests. What started out as an economic problem in the 1980s has now become a severe social problem. For many people, the loss of social capital is a significant barrier to employability. This insight exposes the problem with traditional welfare strategies. Governments usually think of disadvantage in terms of financial capital, through finely calibrated measures such as the Henderson poverty line. It is assumed that the machinery of the state can dispense enough money to lift people above the line.

The Howard Government's approach to welfare reform has been to fiddle with the income support system. In practice, this simply represents a new way of shuffling resources around poor suburbs, without any improvement in individual or community wealth. The Government has failed to increase capacity and create social capital

At its core, this is a problem of remoteness. None of our Federal Ministers have experienced poverty first hand. None of them represent public housing estates in parliament. They are as remote from these issues as the suburbs are from high society. In effect, what they do not know, they cannot solve.

This criticism, of course, also applies to large parts of the media and academia. By and large, Australia's policy and opinion makers lead a lifestyle far removed from the experiences of disadvantaged suburbs. This is why the public debate on poverty is so surreal. It ignores the priority of poor people themselves: to normalise the neighbourhood. How can this be achieved? Fundamentally, it requires a new relationship between public policy and the poor. We need to replace the government-knows-best mentality with community-led solutions to poverty.

Unfortunately, there isn't a state-led solution to every social problem. While government is skilled in the redistribution of financial resources, it has struggled with the concept of community development. Better results have been achieved by the not-for-profit social sector, working in partnership with local communities.

At one level, this is hardly surprising. Government bureaucracies rely on standardised structures and procedures. Communities rely on a diffuse set of social relationships. It is impossible to standardise trust and self-esteem. This is why bureaucracies sometimes smother the best parts of community life.

For some in the public sector, this is bound to be an uncomfortable conclusion. The evidence, however, demonstrates the need for change. This is not a question of weakening the welfare state but rather, redefining its strategic role. Governments still need to provide basic services and support but in a different sequence to the traditional approach. The public sector needs to act as a junior partner to communities, intervening with special programs and resources once the foundations of social capital have been laid. In the past, government expected civil society to fit the bureaucratic mould of the welfare state. Its new role is to identify and nurture successful community projects. This is known as the enabling state. Around the world, Third Way governments are grappling with this challenge. They have developed a rich menu of policy ideas and innovation, including social entrepreneurship, asset-based welfare, place management, mentoring programs and community service schemes. In each case, the objective is to develop the small sparks of cooperation and creativity that, over time, can turn troubled suburbs into normal neighbourhoods. If welfare reform is to succeed it must generate behavioural change. It must enable the poor to do more for themselves, acting as agents of change and community achievement. One hundred years ago Australia was known as a social laboratory, a world leader in welfare reform. We need to recapture this tradition, not just for our nation's standing but - in the highest purpose of public life - to end the tragedy of poverty among our people.

**Mark Latham is the Federal Shadow Minister for Economic Ownership, Housing and Urban Development**