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A New Social Policy For The New Economy

Thank you for this invitation and its implicit recognition that the Brotherhood of St Laurence – and indeed the welfare sector in general – has a crucial role to play in the economic reforms that lie ahead.

I want to start by saying that I believe there is cause to be optimistic about reducing poverty and disadvantage in this still wonderfully fair-minded country of ours.

In the last two decades, after a shaky start, we've gained a better understanding about how to effectively manage a deregulated economy. Central banks and other policy makers are now better placed to keep interest rates, unemployment and inflation down.

Whilst we are not yet as advanced in dealing with the social consequences of a deregulated economy we are beginning to see more clearly, today, how to prevent people from being excluded from participating in wealth creation.

How to include more people in mainstream economic and social life of the country – *this* is the debate we need to have, not the sterile argument that has raged over recent years, about how we measure poverty.

Sustained economic growth has the potential to convince us that poverty – defined in a one-dimensional way – is no longer significant.

I know, from my work amongst the disadvantaged and homeless over the past two decades, it not to be the reality.

But it's certainly convinced *some* people at *some* think tanks. But their work seldom leads to a reduction in poverty – just lots of talk.

When I was growing up on the farm in country Victoria, we used to have a good saying about people who debate adnauseam, who talk a lot, who want to argue the toss, but who produce zero action:

All cluck, no eggs.

And if you've ever had a useless clucky hen, you'd know you only have two options; you put it in with the rooster or you put it in the pot.

It's not my intention to dismiss all debate about the measurement of poverty and disadvantage.

I want to acknowledge the contribution of The Melbourne Institute and my colleagues on the platform this morning.

I don't agree with all of Mark Wooden's earlier published conclusions from the HILDA data that poverty in Australia is a short experience for most.

For instance, it should involve housing data and its poverty line seems arbitrarily low. And like other measures it doesn't include the homeless. At the last census the ABS counted over one hundred thousand homeless. Most were in the first third of their working lives. About half were actively in the labour market. I challenge any one to suggest they are not experiencing persistent poverty.

Most importantly, the HILDA data is too short in duration. While I agree that short-term poverty is far preferable to long-term poverty, the HILDA data fails to measure the extent to which short-term poverty is intermittent. International evidence shows that although the proportion of the population that is continuously poor is low, the population with low average incomes over the long term is

significantly higher. This is explained by repeat spells of poverty, suggesting that those in poverty may move into low paid work but then lose their job and move back into poverty again. The international evidence also suggests that the proportion going onto higher paid jobs is small.

So perhaps all that's being measured by the HILDA data is 'churn', leading us to ignore the key policy issue – how successful or otherwise we are in lifting people out of the poverty cycle altogether.

That said, Mark's research highlights one important fact: our society is still producing a hard core of people in persistent poverty, and we need to direct much of our effort to helping them lift themselves out of it.

Today I want to propose a way of thinking about poverty that all of us – hands on welfare practitioners, policy makers, economists and commentators from all orientations – can agree with.

The debate on all sides has lagged seriously behind the changed nature of the economy, our patterns of work and family life, and the new types of inequalities that can result.

I believe the new economy demands a new approach to social policy.

I call it 'the new social policy'.

If we get it right we can not only reduce poverty but give a powerful boost to wealth creation.

It requires all of us to – particularly governments – to do things differently.

SOCIAL EXCLUSION

We can start by adopting a new understanding of the nature of poverty – one that is already practised around the world – 'social exclusion'.

This is of course the dominant policy approach in much of Western Europe, and I can see straight away that its adoption by 'social democratic' countries and the EU possibly provokes misgivings among some more free-market-inclined policy makers.

This is mistaken. And not just because governments like Tony Blair's are active economic reformers with a sound record of strict financial management.

At the core of 'social exclusion' are the ideas of someone who passionately believes in the liberating possibilities of the free market – the Cambridge economist Armatya Sen.

Sen's basic point is that by giving people more 'capacity' to participate in the market economy we can give the market greater moral legitimacy.

Tackling 'social exclusion' should therefore be seen as a means of increasing the capabilities of people to participate in a meaningful way in the market and the community.

It's essential to boosting productivity and economic reform.

If this approach sounds familiar and attractive to many of you, it's because in essence it's the same approach employed by Noel Pearson and others.

There's no reason to believe that the approach proposed by Noel for indigenous communities and cultures wouldn't work equally well for Australians from other communities and cultures.

We all saw the violence at the Glenquarie Estate in Macquarie Fields a few weeks ago. Perhaps the best way to understand and deal with it is to focus on the similarities between the behaviour of the Glenquarie Estate rioters and those in Redfern and on Palm Island recently.

The point is not to excuse violence by saying that 'society is to blame' but to recognise that when similarly excluded from society and the economy, young, unskilled, bored and often substance abusing young men tend to act the same way, whether they're from Indigenous or European backgrounds.

And as a result, we're seeing something we hoped never to see in Australia – people hurling missiles at riot-shielded police.

A 'social exclusion' approach says 'rather than give people passive welfare or churn them through bouts of short-term poverty by reducing wages and carrying a big stick, we should give them the skills to become active members of the new economy, producing even more wealth for all of us to enjoy'.

There are millions of Australians who want to be part of the new economy, and we're holding them back.

This isn't just a theory; it comes from real experience.

I've spent a lot of time in the front line of welfare service delivery, and I can tell you that whenever I ask people who have lost everything and are living in crisis accommodation, when I ask them about their aspirations, they don't answer: 'to get more welfare'. They almost invariably say: 'to get skills that will get them a job, to get decent accommodation, to get back with their families, - in that order. They don't aspire to be part of an underclass. They have modest mainstream aspirations.

I like to think of it this way: every Australian wants to be part of the big event in our national life – building prosperity and creating a better place – yet we've got too few seats in the stadium and we're locking millions out. Let's add that extra capacity, those extra seats.

As Director of the Brotherhood of St Laurence, the last thing I want is to allow people to remain on social security for long periods when there are other options. Good welfare programs have an honoured and highly important place in our economy and society. But the idea is to lift people out of welfare. At the Brotherhood our interest will continue to be primarily with the prevention of disadvantage rather than alleviating its symptoms. Tackling 'social exclusion' is the best way to do that.

NEW ECONOMY + NEW WELFARE = A 'MOBILITY GUARANTEE'

This brings me to my second major point.

The welfarist models currently employed by many participants on both sides of the debate about poverty are based on an outdated ideal of the Australian economy – a post-war model of full-time permanent employment and single-income 'nuclear' families.

They concentrate too much on one dimension of poverty – income.

That's why we at the Brotherhood are working with the Melbourne Institute and Ken Henry and others to produce a new set of social indicators.

We currently measure joblessness inaccurately – leaving out the under-employed and those on non-activity-tested benefits.

ABS estimates of 'extended labour force under-utilisation' conclude that there are 1.2 million people who would work more if they could find it. At the Brotherhood we reckon the figure closer to 1.5 million.

I think all of us here today can agree that welfare policies must now be brought into line with the realities of the new economy.

In short, this means giving those who are unemployed, under-employed, receiving non-activity tested benefits, or suffering chronic poverty due to substance abuse, disabilities or mental illness the 'capacities' – as Sen would say – to cope with the new economy. The capacities to cope with a more

flexible employment market, which demands higher skills and in which people have different family responsibilities.

And the capacities to contribute to the nation's economic growth.

I don't think the answer lies in reducing wages to create low paid jobs – even if mitigated by a system of earned income tax credits. For one thing there is serious doubt about whether even large wage cuts would produce many jobs. Empirical evidence fails to show an unambiguous relationship between minimum wage changes and employment. The second is that there is a crying need already for skilled workers, and with our aging workforce as it is, we should aim to meet this need now and into the future.

In concrete terms, I'm arguing for giving people more access to the big passport for success in the employment market – education and life skills.

We want people to move from welfare to a job and then on to an even better job – not from welfare to a succession of low-paid, low-skilled, short-term jobs (as some interpreting the HILDA data have wrongly suggested is sufficient to tackle poverty). Our own analysis of that data shows that people in low paid casual work are much more likely to spend time out of work and on benefits.

We should call these skills a 'mobility guarantee' to allow the poor to succeed in a more flexible, skilled and mobile economy.

Let me suggest three ideas to make this happen.

Firstly, for young people.

The Dusseldorp Skills Forum estimates that each year we produce over 200,000 people aged between 15 and 19 who are 'at-risk' – being neither in full-time work nor full-time study.

We have to do something to prevent these potential contributors to our nation from becoming longterm unemployed or entrenched in the low-skill, low-wage segment of the economy.

Rather than re-invent the wheel, we believe the answer lies with guaranteeing all young people a Year 12 or an equivalent qualification and providing intensive, case-managed support for early school leavers to either re-engage with education or to gain employment.

Secondly, for older workers.

Retrenched workers face serious risks of long-term unemployment. Given the right skills and opportunities, retrenched older workers can go on to successful and fulfilling careers – like a second chance at life. That's what we want for all of them.

Unfortunately for many, the impact of retrenchment – in unemployment, under-employment and depression – can still be measured more than a decade later.

We need to take lifelong learning seriously – and this means giving employed workers, especially those most 'at-risk' of future unemployment, paid time out of the workforce to gain skills that are in demand.

The Brotherhood proposes the creation of 'Lifelong Learning Accounts' with the aim of building enough funds to pay for extended periods of study – possibly one or two years.

Funds would be contributed by employees, employers and government, with the largest government contribution going to those at most risk of retrenchment, or the lowest paid.

While governments could subsidise half the cost for low paid workers, with subsidies tapering off as income increased, employers and employees could share the other half, perhaps as part of a one-off deal around wage adjustment as occurred with superannuation contributions.

Employees could contribute their notional wage increase to the learning account, on the condition that employers made a matching contribution. Alternatively, existing entitlements such as long-service leave, could be folded into the accounts.

My third idea is aimed at the long-term unemployed.

The Brotherhood has developed an innovative employment program to assist long-term unemployed public housing tenants into employment.

Many of these people have multiple problems that prevent them from taking part in the economy – low skills, poor self-esteem, health problems and family responsibilities. They need intensive help.

The Brotherhood already does this. Through a combination of case management, intensive personal support, pre-vocational and vocational education and work experience, we help people gain the skills necessary to get and hold onto a good job.

Our program has many similarities to the principles proposed for the Neighbourhood Renewal program in the UK. Importantly, it works.

Once again, let me point out that all three of these policy ideas should have strong appeal to proponents of the free market and economic reform. They unleash skills, involve personal financial commitment from the unemployed and ‘at-risk workers’ themselves, and emphasize the virtues of hard work, employment routine and self-sufficiency.

I suspect I won’t be the first or last person at this conference to say this, but I can’t think of a more effective long-term way for the Federal Government to invest some of the current proceeds of growth and the projected \$10 billion budget surplus than in some of the ideas I’ve just outlined.

SPATIAL DISADVANTAGE NEEDS A ‘NEW REGIONALISM’

There’s one last major point I want to make today, and that’s the need to build the capacities not just of individuals but whole communities.

This means recognising the spatial dimension of poverty – which has been the subject of some fine research by people like Boyd Hunter, Bob Gregory, Robert Stimson and, most recently, Tony Vinson.

I think we should all be disturbed by Tony Vinson’s finding that in New South Wales and Victoria five percent of postcodes accounted for a quarter of all unemployment, child abuse and imprisonment.

Such communities are not only a moral indictment; they are acting as a drag on wealth creation. Let’s do something about them.

The factors that lead to social exclusion – such as low income, ill health and unemployment – are interrelated, and therefore need the complementary resources and skills of a number of people and agencies. We cannot simply ‘wait’ for spontaneous market solutions to emerge.

My experience has been that all too often the public assistance that is delivered to individuals and groups in these communities is so lacking in integration, and so out of touch with the realities of those communities, as to be rendered largely ineffective and wasted.

We need to radically change the way in which Governments relate to these disadvantaged communities and to the community organisations working in them.

We need a ‘new regionalism’ that builds the capacities of communities by engaging their citizens in a partnership with all levels of government.

We need to give these communities a greater say in the governance of public monies expended in their midst. This will of course involve new and innovative forms of accountability, but it can’t be beyond our know-how to create them.

Initiatives like the community strengthening and Neighbourhood Renewal programs of the Victorian Government, which the Brotherhood participates in have made a good start. But they need to go a lot further, particularly in the way they are integrated into regional economic development plans.

Again, let me emphasize that there's an important element of this that even the most conservative of us can agree on: the idea that governments can't solve everything; that communities, businesses and individuals have to take up their share of responsibility for finding their way out of poverty.

CONCLUSION

I want to end by spelling out something I hope I've made plain in my address.

It's time the welfare sector, business leaders, economists, policy makers and governments recognised we could all potentially be heading in the same direction.

The 'new social policy' approach to poverty and disadvantage I have outlined here today has something for everyone in this room.

It builds the capacities of people to take advantage of a new, reformed economy.

It's not about 'something for nothing' because it requires everyone to take personal responsibility and invest in themselves.

And it's not about leaving everything to government to sort out.

Ultimately it helps legitimate economic reform and will make the economy work even better. It's essential to the economic reform agenda.

That said, we believe it has a powerful moral case, regardless of the economic benefits.

Because together we can make economic reform work for everyone and address that nagging misgiving in the back of our minds – that as we've got more prosperous we've left too many of our fellow Australians behind.

Thank you.