

Speech by Julia Gillard MP
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The economics of Social Inclusion
The Sydney Institute
12 July 2007
- CHECK ON DELIVERY -

Introduction

It's great to be back at the Sydney Institute.

I know there is gathering competition from a number of think tanks from across the political spectrum but the Institute remains Australia's premier forum for political discussion.

I don't agree with everything Gerard says and writes, but I want to congratulate he, Anne and everyone else involved for showing a continuing commitment to the liberal principles of free speech.

It is only seven months since Kevin Rudd became Leader of the Federal Parliamentary Labor Party and I became Deputy Leader.

In that time most attention – in fact nearly all – has focussed on my role as Shadow Minister for Industrial Relations, which is understandable given that workplace laws are a key election issue.

But I view my other shadow portfolio – Shadow Minister for Social Inclusion – as just as important. And, I believe, so should you.

This is because the adoption of social inclusion as an objective and organizing principle of the nation's social – and therefore economic – policy will have far-reaching implications for what sort of nation we become.

The concept of social inclusion in essence means replacing a welfarist approach to helping the underprivileged with one of investing in them and their communities to bring them into the mainstream market economy.

It's a modern and fresh approach that views everyone as a potential wealth creator and invests in their human capital.

My reason for adopting such an approach is simple: at a time when Australia needs more skilled people and has an ageing population, we simply can't afford to have one in ten or

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more of our people out of the workforce due to unemployment, low skills or the effects of chronic poverty.

Social inclusion is an economic imperative.

And at a time of record prosperity there is no excuse for failing to act to narrow the gap in opportunities and wealth that's opening up between individuals and communities.

Including everyone in the economic, wealth-creating life of the nation is today the best way for Labor to meet its twin goals of raising national prosperity and creating a fair and decent society.

This is a recognized policy ambition of social democratic parties around the world today. And I regard it as significant that in his recent farewell essay in *The Economist*, Tony Blair named social inclusion as one of the six important domestic priorities for any government.

Here is what he said:

From 1979 to 1997 the incomes of the richest 20 percent in Britain grew faster than the incomes of the poorest 20 percent. That has been reversed. Since 1997 the incomes of the poorest have risen faster than the richest. However, this masks a tail of under-achievers, the socially excluded. The rising tide does not lift their ships. This issue of social exclusion is common throughout Western nations.

Including here.

Fairer workplace laws that encourage enterprise bargaining and cooperation will help create a fairer and wealthier society, but on their own they are not enough. We need a new approach to social and economic policy too. And social inclusion is it.

A wealthier but divided nation

I want to talk about disadvantage and hardship, but I haven't come here to foretell doom and gloom.

After all, we've experienced a decade and a half of economic growth made possible by the economic reforms of Labor governments in the 1980s and '90s.

But I do want to argue that how our prosperity is generated and managed is just as important a topic for public discussion as the extent of our prosperity.

We've stopped asking the age-old question: *cui bono*? Who benefits?

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It's an important moral question. It's also an important practical question because unless people believe that our economy is working for all of us, support for necessary economic and social reforms will wither.

We are constantly being told that we've never been wealthier. And many of us are. On average we all are. But that's just the problem – no one is average.

In fact, the Prime Minister boasts that Australia working families “have never had it so good”.

It's a claim that grates with many people because while the economy is booming, and people like us here tonight are probably better off, a lot of people feel that for them it actually was better in the past. And many believe they are now doing worse than their neighbours.

This is a raw nerve in the community – because while many have benefited from economic growth – something we celebrate – a lot have started to struggle.

Tony Blair is right. We've developed a long tail, and it is starting to make its political impact felt.

People want to see economic growth translated into benefits for ordinary people.

This general feeling of disquiet has a strong basis in economic reality.

A number of recent reports have painted a stark picture of social disadvantage in Australia, the plight of working families and how the community sector is managing with demand for services.

One of these was Tony Vinson's *Dropping off the Edge* report which mapped Australia to reveal that low family incomes, a high prevalence of incarceration, long-term unemployment and high rates of disability and sickness tend to be concentrated in a discrete number of neighbourhoods and communities.

Sadly, despite our increasing prosperity, the situation for these communities is not improving. 70 per cent of the localities ranked by Vinson as disadvantaged in this year's report also appeared in his 2004 rankings.

Clearly a growing economy hasn't brought the benefits of enough employment to these communities.

What is most striking about Vinson's analysis is the enduring poverty of the communities he finds are disadvantaged. The difficulties are now passed from parent to child.

We know the last two decades have seen a decline in male and an increase in female labour force participation and an increase in non-standard forms of employment.

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In 2005-2006 the Productivity Commission found 2.2 million men were outside the labour force – neither working nor looking for work.

The Commission found that in contrast to women, male disengagement from the labour force has increased four-fold over the last century, rising particularly rapidly over the last 50 years.

Men over the age of 55 in regional Australia are particularly affected by these changes, while women that age constitute much of the growing number of unpaid carers - either for parents or for grandchildren.

This falling male participation in full-time employment has serious implications for the pattern of social disadvantage in Australia, because we know that full-time employment is the most effective weapon to guard against poverty and disadvantage.

Too many young Australians are also feeling the marginalisation of life without work.

The *How Young People are Faring 2006* Report by the Dusseldorp Skills Forum found 540,000 young Australians were not in full time learning or work. Of these, approximately 330,000 were either unemployed, working part-time but wanting more work, or were not in the labour force but wanting to work.

And exclusion from the benefits of work can be intergenerational. Worryingly, a recent UNICEF scorecard on children's wellbeing in OECD nations revealed that Australia has the second highest rate of working-age households with children without an employed parent. Australia was only above Hungary in this ranking.

But the social inclusion agenda doesn't start or end with Tony Vinson's postcodes or lack of work.

Social exclusion can also result from racism or discrimination on the basis of disability or religion – which can occur even in the wealthiest communities.

The early analyses of the 2006 CENSUS also tell us what's happening to Australia's famed reputation for social equality and point to some of the reasons:

People are getting older, with more than half a million extra people more over 65 compared to 10 years ago. For those without good superannuation and home ownership, retirement can be a time of hardship.

The proportion of one-parent families has also grown, from 14.5 per cent to 15.8 per cent in the last decade. This brings the number of children living with only one parent to 1 million. And we know that children from single parent families can face greater risks all round.

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And the problem of housing affordability for many is destroying the Australian dream of home ownership.

Families in Australia's capital cities today need an income of \$115,777, to service a mortgage on a median priced home. This is more than double that required in 1996, when the income requirement to afford a median priced home was \$46,693. Australians – even

at current mortgage interest rates – are using a record share of their incomes to cover their record size mortgages.

As a result of all this, the census tells us that fewer people actually own their home and more young people are staying at home longer.

We have to add to this the rising cost of everyday expenditure items.

The ABS Household Expenditure Survey confirms that the cost of living outpaced CPI over the period from 1998–99 to 2003–04 by 8 per cent. The biggest contributors to this increased cost of living have been the basics – housing, food and transport costs, health and education – particularly access to GPs and specialists, school fees, energy bills, health insurance and child care.

Just yesterday, Labor Leader Kevin Rudd announced our response to the increasing cost of basic food items at the supermarket. Many of these items have outstripped the rise in general inflation and we believe there is a role for the ACCC to monitor supermarket prices and to conduct a National Grocery Pricing Inquiry.

And today, we have seen media reports of the massive increase in the number of families suffering mortgage stress – that is, losing more than 30 per cent of their income to mortgage repayments. For example, in the five years to 2006, mortgage stress has risen by 97 per cent in metropolitan Sydney, from 64,510 households with mortgages in 2001 to 127,384 in 2006.

In summary, Australian families are paying more to buy their homes, paying more as a proportion of their income and doing it with less disposable income.

Now combine all this with one other big factor and that is the effect of Work Choices on people's income and financial and job security.

Remember that penalty rates and overtime often make up a significant portion of the lowly-paid's weekly wage and this has been able to be stripped away by Work Choices. If economists want to know why ordinary people can't see the economic logic of Work Choices, look no further.

Australian families expect to work hard and understand it is always a struggle to buy a home. But many Australian families are dealing with these cumulative new pressures, the new interest rate reality, unaffordable housing stock, the rising cost of living and

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insecurity at work, in new housing estates where services run behind growth and there is no developed sense of community and connection.

And for some financial disaster does come.

New data released just last week shows personal insolvencies have jumped sharply in 2006/07, hitting their highest national level on record as financial pressures continue to mount.

The data released last week by Insolvency and Trustee Service Australia shows, in the 2006/07 financial year:

- There were 31,964 personal insolvencies across Australia, up 17 per cent from 2005/06 to the highest level on record.
- Personal insolvencies in New South Wales rose 26 per cent from 2005/06 to their highest level on record.

- Personal insolvencies in Victoria rose 22 per cent from 2005/06 to their highest level on record.

If you look at the last two years, personal insolvencies have risen by:

- more than 50 per cent in New South Wales
- and 35 per cent in Victoria.

What these statistics tell us is that there isn't a hard edge between being socially included or excluded.

In Australia, the border is porous: we have enduring disadvantage *and* a precarious section of the socially included Australians, who can quickly be sucked down by financial quicksand.

Federal Labor's social inclusion agenda

In the past, economists have argued that the cost of leaving the socially disadvantaged out of the workforce was too hard to quantify. And this became an excuse for not acting. But today this is not a valid excuse. We can quantify that cost in terms of productivity growth and civic engagement. And we cannot afford to have anyone excluded from our economy or our society.

Direct and targeted intervention is needed to "lift the ships" that Tony Blair talked about. Universal welfare and sustained economic growth is not enough.

So what are we to do?

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On previous occasions I have talked about five important steps that would need to be taken to make social inclusion meaningful.

First, we must define social inclusion and exclusion. The concept of social exclusion is now starting to make it into mainstream public debates, helped along by the forthright advocacy of organizations like the Brotherhood of St Laurence, the St Vincent de Paul Society and others.

Second, we must find a new way of governing, a new approach to building partnerships to set goals and targets and meet them.

Third we must ensure that core government programs improve social inclusion so that chronic health and low educational attainment doesn't hold anyone back.

Fourth we need to maximise employment for the socially excluded.

And finally we must enter into accountable social inclusion partnerships with state and local governments, the private sector and the community sector.

This approach has proved successful in countries that have adopted the social inclusion agenda. Tony Blair is the obvious example. Canada has also tried it – an experiment which is currently being unpicked by a Howard Government-inspired counter-revolution in social policy, which is meeting with huge public resistance.

But State Labor governments are also adopting it:

- In Victoria John Thwaites and Peter Batchelor have driven a social inclusion agenda that has blazed the way for others across the country.

- In my home state of SA, Premier Mike Rann has appointed Monsignor Cappelletti as Commissioner for Social Inclusion and chair of the Social Inclusion Board to lead a government-wide assault on social exclusion.
- The NSW Government has had the Strengthening Communities Unit in the Premier's Department for 10 years and has done much of the foundation work that has stimulated the Bracks, Rann and Beattie Government's initiatives.

There is little hope for success without this sort of direction and drive. The nature of social inclusion is such that it cuts across portfolios, policy areas and departmental structures.

National leadership – through a new Social Inclusion Board

I intend to be a driver for social inclusion under a Rudd Labor Government, and Kevin intends for this agenda to have a coordinating office in the Prime Minister's Department.

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With this focus and centrality I believe the social inclusion agenda can be mainstreamed and integrated into the everyday workings of policy development and Cabinet's deliberations.

As part of this process, a Social Inclusion Board will be appointed, representing many national leaders and achievers. The Board members will consult widely and provide views and advice on various aspects of social inclusion, including:

- how to engage local communities
- who to target
- and what is and isn't working.

I believe that Premier Rann's Social Inclusion Board provides a Rudd Labor Government with a strong model in both operation and membership.

If you look at that board, chaired by Monsignor Cappelletti, it brings together community leaders from across their State, all with significant networks, experience and knowledge. They are all champions of their own communities and networks, with the ability to work together and to work with all spheres of government.

It is also a statement that the answers are not to be found within the walls of Government – whether they be in Adelaide or Canberra – but within the walls of community groups, businesses, schools and homes.

A Rudd Labor Government's Social Inclusion Board will provide leadership in government but it will also provide leadership across Government.

And the experience of South Australia has shown that the strongest outcomes are harnessing the leadership of Government in key social inclusion policy portfolios but also ensuring the social inclusion is integrated in to the Government's broader agenda.

For example, a Rudd Labor Government will have its sights firmly set on implementing its education revolution. Board members will ensure that communities with low rates of preschool education, literacy and numeracy, school engagement and school retention will be part of the revolution, benefiting from innovative, targeted community based programs.

A Rudd Labor Government will also have its sights firmly set on rolling out its high speed broadband. Board members here too will drive access to computers in disadvantaged communities through targeted community-based programs that teach skills and take computers into those homes that lack them.

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While clout in the Cabinet room and in high-level advisory bodies will be crucial, social inclusion also needs champions at the community level.

This Board and this broader agenda must be focused on real people, real issues and real places.

It will not work if it becomes separated from the challenges of our nation's households and neighbourhoods and communities.

And it can't be allowed to become a memorial to good intentions, lost on an island of bureaucracy in Canberra.

To ensure this connection, the Board will not meet in Canberra. It will meet in the places where our agenda will and must make a difference.

And Canberra based public servants will be asked to do stints with service providers in socially excluded communities to understand what service delivery on the ground is all about.

This geographic focus must be on the likes of those neighbourhoods and communities that Tony Vinson has mapped.

But just as we need to harness the networks and communities and compassion of the Board and its members, we also need to base our work on the evidence and data and hard analysis of our public service's brightest.

Soft hearts need to be matched with hard heads.

Economic rigour

Driving change will need more than firm leadership. It will need hard edged, rigorous analysis of what works.

Currently, those dealing at the coalface with social exclusion, Australia's community sector faces a paradox: we are donating more, we are giving more of our time, but need in the community still grows and goes unmet.

According to ACOSS, the community sector is being forced to turn away 1 in every 16 people who are actually eligible to access a service, with the highest turn-away rates being in housing, disability, supported accommodation and community legal centres.

Gifts and donations are rising. Volunteering rates are showing similar patterns. In 2006, over 5 million Australians had volunteered, up from under 3.2 million in 1995.

Today almost nine out of ten Australians belong to at least one third sector organisation; more than four out of ten volunteer for them and nine out of ten donate to them.

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All of which is combining to build badly needed social capital.

But while our community life is benefiting from volunteerism and activism, the macro political landscape appears to be suffering from large scale disengagement.

Too many people no longer think that government works for them or the community's benefit.

This sort of volunteer engagement or *active citizenship*, juxtaposed with disengagement at the political level demonstrates that more so than ever government must do things *with people* rather than *to people*.

In education, this means enabling investment in the areas that a school believes will expand opportunities for its students. For example, an independent school community may recognise some disengagement with young boys and may see Kevin Rudd's Trade in School investment as an opportunity to apply for equipment which will keep this group at school and absorbed in the gift of learning.

In health, this means enabling a system which empowers patients, clients, to manage their illness or their wellness without needing to resort to emergency care as a last resort. This is similar to the preventative health model discussed by Kevin Rudd in recent weeks, which makes proactive management of chronic disease accessible to those in rural and outer suburban communities, not just those with private health insurance in the inner cities.

But beyond these traditional areas, what role is there for Federal Labor in building social capital from the bottom up, from the ground up, doing things *with people* rather than *to people*?

I believe there is a role for government in matching community willingness to donate and help with the not-for-profit sector's evolving needs.

This is one of the big differences between our approach and that of conservatives.

Proponents of laissez faire simply want to replace government investment and action with philanthropic activity.

Our approach is different and better. We want to use government to help individuals multiply the state's efforts. We want to be an enabling government, not one that vacates the field.

Put simply, we need to make it easier for people to give and get involved, and we need to make it simpler for community organisations to deliver their core business more effectively and efficiently.

To do this we will form new partnerships with the community sector.

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We see community organizations as major service providers and economic drivers rather than as recipients or distributors of charity, and coordinators of volunteers. Today they constitute what's referred to as 'the social economy'.

Current Howard Government initiatives in these areas are not working and are based on out-dated thinking.

Labor wants to modernise the thinking by a preparedness to work in partnership: across Government, with tiers of Government, with the private sector and particularly with the Third Sector.

And we must be fearless in looking at what works and how it should be measured.

There won't be any room in Labor's structure for well-meaning but soft-headed advice.

It's got to be about building social inclusion through hard economics, not soft options.

In fact, investing in people and communities in this way is regarded by many as promising some of the highest long-term returns on investment that nations can make.

This human capital theory that underpins thinking about social inclusion has been attracting world-leading economic hard heads for the better part of two decades. I'm talking here about Nobel laureates like James Heckman.

The human face of social exclusion will be our continual reminder of the importance of our agenda, but we have a broader responsibility to ensure the effective use of resources,

the accurate measure of costs, and the economic – as well as the social and environmental – impact of our policies.

A Rudd Labor Government will harness the policy expertise and capacity of Government in pursuing this agenda.

Through the support of the Prime Minister's own department, the engagement of Treasury as well as the involvement of the likes of the Productivity Commission, we will be able to better manage and target resources.

We will be asking the Productivity Commission to construct a new tool to measure the contribution of third-sector organizations to our economy as the starting point for maximizing the sector's contribution to social inclusion, employment and economic growth.

And why? It's because this isn't about spending; it's about investment – from which we will expect a measurable return to the nation.

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Conclusion

These measures may at first seem small.

But they are of potentially huge significance.

As our economy faces up to potential labour shortages due to our ageing population and as it moves to a new level of sophistication to compete with the rest of the world, we're going to need every Australian on board pulling their weight, rejoining the workforce, gaining new skills.

Writing off individuals and communities suffering from poverty just creates a dead weight for our economy to drag along.

And as the Howard Government is finding, it's making people angry that they've been forgotten.

But we can bring the objectives of increased prosperity and a fairer society together.

In fact, it's my firm belief that lifting individuals and communities out of poverty is the only way to maximize economic growth.

We now have the economic tools and understanding needed to bring our moral and our economic priorities together as the basis for better national economic policy.

That means our system of social support must change.

The old days of passive welfare for those able to contribute are gone.

So are the old days when governments – like the Howard Government – could ignore the need to invest in people to ensure they can contribute.

We need to change the way government works – the way it works with other governments, with community leaders and individuals – to lift everyone up.

And it's through this new human capital and social inclusion agenda that a Rudd Labor Government will make it happen.

Thank you.

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